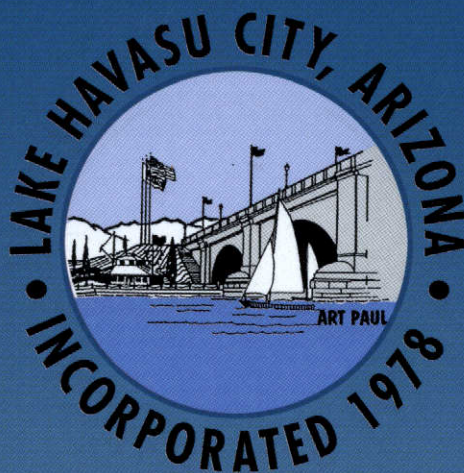


Comprehensive Annual Financial Report

For the Year Ended June 30, 2005



Lake Havasu City, Arizona



Lake Havasu City, Arizona
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005

CITY COUNCIL

Bob Whelan
Mayor

Kristen Lietz-Aldridge
Vice Mayor

Cindy Aldridge
Councilmember

Carolyn Bruce
Councilmember



Don Clark
Councilmember

Bob Crabtree
Councilmember

Vall Striyle
Councilmember

CITY STAFF

Tim Ernster
City Manager

Finance Department staff responsible for CAFR presentation

Gayle Whittle
Finance Director

Sharon Lawrence
Accounting Manager

Dena Heald
Accountant

Kathy Henry
Accountant

LAKE HAVASU CITY

www.ci.lake-havasu-city.az.us

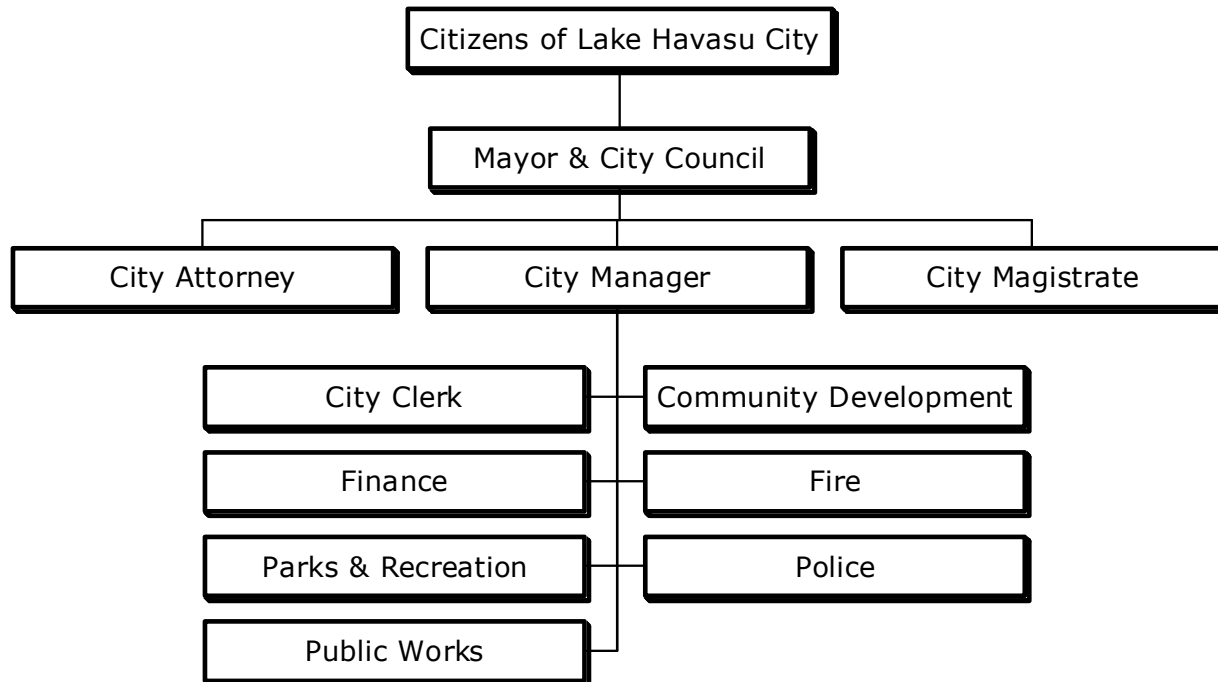
2330 McCulloch Boulevard N.

Lake Havasu City, AZ 86403

(928) 855-2116



ORGANIZATION CHART



Management Staff

Tim Ernster, City Manager

Department Directors

John Alexander, Police Chief

Clyde Andress, Magistrate

John Bergman, Fire Chief

Bill Mulcahy, Parks & Recreation Director

Kevin Murphy, Public Works Director

Matt Podracky, City Attorney

Carla Simendich, City Clerk

Stan Usinowicz, Community Development Director

Gayle Whittle, Finance Director



MAYOR & CITY COUNCIL



Bob Whelan
Mayor



Kristen Lietz-Aldridge
Vice Mayor



Cindy Aldridge
Councilmember



Carolyn Bruce
Councilmember



Don Clark
Councilmember



Bob Crabtree
Councilmember



Vall Striyle
Councilmember



VISION ~ MISSION ~ CORE BELIEFS

Vision

A Residential and Resort Community . . .

- *Beautiful Lake and Mountains*
- *Active Lifestyle*
- *Opportunities to Make a Living*
- *A Great Place to Live and Work*

Mission

Lake Havasu City Strives to . . .

- *Provide first class city services for our citizens, businesses, and guests*
- *Build and maintain quality city infrastructure and facilities*
- *Develop and maintain a strong partnership between city government and the community*
- *Maintain a financially healthy and sustainable city government*

Core Beliefs

We Believe in . . .

- *Leading by Example*
- *Work Ethic*
- *Accountability*
- *Teamwork*
- *Integrity*
- *Creativity*



MISSION & CORE BELIEFS

Mission Statement

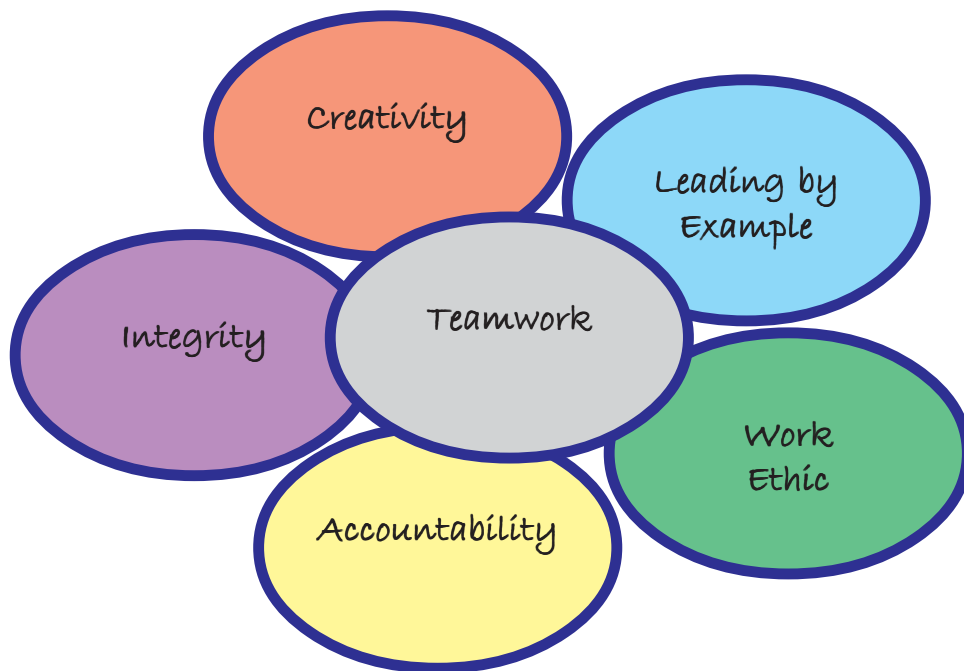
Provide first class city services for our citizens, businesses, and guests.

Build and maintain quality city infrastructure and facilities.

Develop and maintain a strong partnership between city government and the community.

Maintain a financially healthy and sustainable city government.

Core Beliefs



Lake Havasu City holds these core beliefs to guide Council and Staff action in implementing the five year plan.

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LAKE HAVASU CITY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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LAKE HAVASU CITY, ARIZONA
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LAKE HAVASU CITY, ARIZONA
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INTRODUCTORY SECTION

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FINANCE DEPARTMENT
LAKE HAVASU CITY

Phone (928) 855-2116 ~ Fax (928) 855-0551

November 30, 2005

Honorable Mayor, Members of the Governing Council, City Manager, and Citizens of Lake Havasu City, Arizona:

We are pleased to submit the 2005 Comprehensive Annual Financial Report (CAFR) of Lake Havasu City, Arizona (City).

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cronstrom, Trbovich and Osuch, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on Lake Havasu City's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Lake Havasu City Profile

Lake Havasu City was founded in 1963 as a master-planned community with an emphasis on recreation and residential retirement. The City, incorporated in 1978, is located in the western part of Arizona on the Colorado River and is one of the top growth areas in Mohave County. It currently encompasses approximately 42 square miles and serves a population of approximately 53,204. Lake Havasu City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

Lake Havasu City has operated under the council-manager form of government since incorporation in 1978. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members. The Mayor and Council Members are elected at-large for four-year terms. Their terms are staggered on a two-year basis. On September 13, 2005, a recall election was held resulting in the election of a new Mayor and three Council Members. The next election is scheduled for November 2006 when the office of the Mayor and three Council positions will be available.

The Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City provides a full range of services, including police and fire protection, airport, water and sewer services, construction and maintenance of streets, recreational and cultural events, door-to-door demand response transit system, planning and zoning services, and general administrative services. Lake Havasu City offers a wide range of community facilities including a community center, aquatic complex, and nine City-controlled parks.

The City contracts for sanitation services, which includes recycling pickup and landfill operations, animal control, tourism development, social service functions, and economic development.

Local Economy

Lake Havasu City's economy is based primarily in tourism, building and construction, and government. The City has benefited from recent national and state resurgences of growth in these areas. The City is faced with many critical growth issues, but its citizens and municipal government are committed to finding solutions for the future.

The City's Strategic Plan for Economic Development outlines strategies for economic diversification to create a more stable economic base. The plan calls for a balanced development of retail, commercial, manufacturing, restaurant, lodging, and entertainment. The City continues to be a desirable location for work, destination, and living due to current low mortgage interest rates and the opportunity for growth. Recruitment efforts continue for commercial enterprises to complement the existing industry, with focus on a regional mall, manufacturing, and resort opportunities.

The City recognizes that the protection and acquisition of public shoreline access, preservation of sensitive lands, and the renovation of the English Village and the London Bridge are critical to the economic well-being of the community.

Tourism

Lake Havasu City continues to enjoy seasonal influxes of residents from throughout the United States and Canada, especially during the winter months. The London Bridge, which is one of the largest tourist attractions in Arizona, draws visitors from around the world. Focus on future development in the English Village, which is adjacent to the bridge, is a priority for the City for continuous, steady tourism revenue. The City's tourism trade is also dependent on ground transportation. The current fluctuating gasoline prices are a concern and will be monitored closely.

Construction

Housing (single-family, two-family, and multi-family) and commercial construction remain fairly strong. Issuance of new single-family housing permits decreased 14% over the previous year, representing a total of 951. Since fiscal year 2000-2001, single-family housing permits have averaged 1,110 per year. The total estimated valuation also decreased from \$122,494,069 to \$111,573,409, representing a decrease of 8.9% in estimated valuation.

New commercial building permits increased 49% from the previous year with 82 building permits in fiscal year 2004-05 as compared to 55 permits in fiscal year 2003-04. Although actual permits increased significantly, the average new commercial permit in fiscal year 2004-05 was valued at \$344,389, which represents a decrease of 24% over the previous year's estimated average valuation of \$454,467. Commercial addition permits increased 11% in fiscal year 2004-05, with 79 permits over the previous fiscal year's permits of 71. The commercial addition valuations in fiscal year 2004-05 averaged \$36,415 as compared to the fiscal year 2003-04 average valuation of \$143,246, a decrease of 75 %.

While the growth rate over the past five years has been significant, the projected build-out population figure for the City is estimated at 96,000. It is important, however, to realize that there are potential constraints to achieving the population build-out figure. These constraints include water availability, transfer of land from public to private use, and infrastructure.

Some significant planned developments currently underway or scheduled to begin in fiscal year 2005-06 are:

Commercial

- **The Centre** - A 215-acre planned development with three commercial nodal areas and one regional mall commercial nodal area.
- **The Mall** - A general development plan for a 105-acre regional mall development within the regional mall commercial node of the 215-acre Centre development.
- **Havasu Surgery Center** - A planned development of a 3.17-acre parcel within the C-1 zoning district for an expansion of the existing out-patient Havasu Surgery Center to include a 78,421 sq. ft., 60 patient bed hospital with a 29,540 sq. ft. parking garage on the rear portion of the parcel along Mesquite Avenue.
- **Lowe's** - A general development plan for a 12.60-acre parcel to include a 134,934 square-foot Lowe's home improvement store and a 31,659 square-foot garden center.

- **Campbell Cove** - An 18.74-acre parcel to include a boat dealership and storage facility, campground, convenience store/gas station, and other commercial uses.

Residential

- **Sonoran Hills** - A four-phase development with a project area of 14.13 acres. The general development plan proposes 25 buildings with a total of 243 dwelling units, including the main recreation area, clubhouse, pool, and spa.
- **The Preserve** - Combined 11 parcels, 5.79 acres. A gated community with twelve multi-family buildings, ranging in size from four units to nine units. The total number of units included in the project is 73. In addition, a 2,000 square foot clubhouse contains an office, billiard room, party room, kitchen, and exercise room.
- **Sailing Hawks** - A 56-acre Sailing Hawks Planned Development. There are four additional phases being added to the existing development. The proposed general development of phase II indicates 48 townhouse-style units, a recreation area with a pool, shade structures, and a gated private drive. Phase III will cover 13.37 acres consisting of 8 units per acre density. Phase IV consists of 120 units over an area of 15 acres and phase V will cover 5 acres with 60 units.
- **Havasu RV Resort** - A 37-acre site that includes 406 RV spaces to be built over three phases. Phase I will consist of the golf course area, pool, and a 5,600 square foot club house.
- **Grand Island Estates** - Subdivision of nine use areas as follows: 5.4 acres – commercial, 6.5 acres – casitas, 11.2 acres – resort, 12.5 acres – single family (46 units), 10.9 acres – single family (40 units), 18.9 acres – townhouses, 15 acres – park parcel, 13.8 acres patio homes, 11.6 acres – dual homes.
- **Havasu Foothills Estates** - A residential/commercial development is currently underway in the eastern limits of the City. The planned development consists of 640 acres which will feature 547 single family homes and 150 resort units.

Employment and Job Growth

Lake Havasu City's employment relies heavily on the construction and tourism sectors. The City's labor force remains stable with an unemployment rate of 2.8 %, as reported by Arizona Department of Economic Security. This represents a decrease from 3.2% in June 2004. The state's employment and job growth reflects significant improvement. The City's employment rate remains lower than the state average. In June 2005, the state's unemployment rate was 4.6%, down from 5.1% from the prior year.

Lake Havasu City's workforce increased with 868 new jobs in fiscal year 2004-05, even though no new major employers were recruited to the area. The per capita income is \$21,316. The City is looking forward with new employers in the retail (regional mall), and manufacturing (restaurant supplies) industries.

Long-term Financial Planning

The City responds to changing economic challenges with careful long-range planning for fiscally healthy conditions. With conservatism in mind, the budget is prepared with maximization of operating efficiencies. The financial position of the City at the close of fiscal year 2004-05 reflects better than expected reserves. The favorable condition will allow the City to support maintaining current levels of services provided to the citizens of Lake Havasu City (streets, water, sewer, sanitation, police, fire, parks and recreation and public transit).

In order to provide flexibility, to respond to unanticipated revenue decreases, or unexpected expenditures, at least 5% of the total operating budget shall be set aside as a contingency appropriation in the General Fund, Irrigation & Drainage District O & M Fund, Wastewater O & M Fund and the Highway Users Revenue Fund. It is management's desire to increase that reserve to approximately 12% to 15% in the event of a major set back in tourism and sales tax revenue and to ensure utility rate stabilization.

The City is shifting from a "pay as you go" philosophy to increase reserves by researching the best financing options for the infrastructure that will be required. The City has recently developed impact fees for water system development and is also looking at implementation of impact fees for acquisition of a 2nd bridge and other future infrastructure needs.

Strategic Plan

The City Council has set the following five year goals for the community:

- **Financially Sound City Government**
Improve strong bond rating, maintain an adequate level of financial reserves, increase sales tax revenues (recapture sales tax leakage), deliver cost-effective City services, expand public-private partnerships to increase tax base.
- **Strong, Diversified Local Economy**
Attract new businesses (particularly light, clean manufacturing), maintain a qualified educated workforce, develop new business parks, develop "ready to go" sites for new business, expand retail (mall, "big box"), redevelop English Village.
- **Safe and Clean Community**
Maintain timely responses to emergencies, maintain clean community, streets, public spaces and beach, provide quality emergency services, attractive commercial redevelopment and streetscapes, and maintain low crime rate.
- **Effective Utility System**
Secure and protect adequate water supply, develop reuse system, comply with federal requirements, upgrade water distribution system, continue sewer project management and construction, and water acquisition for long-term supply.

- **Enhanced Quality of Life**

Improve quality of public education (K-12), provide a four year college/university, expand and develop park system and cultural and performing arts facilities, provide family oriented community activities, and develop an additional mainland marina.

- **Blue Lake, Beautiful Mountains**

Ensure public shoreline access, protect mountain preserve and surrounding desert, protect natural shoreline areas, and maintain quality lake water.

- **First Class Resort Development**

Increase year-round tourism, provide top quality resort hotels, construct convention center able to host regional meetings, develop major resort on Island, and add more amenities for tourists (golf courses, spa, parks).

Major Initiatives

During fiscal year 2004-05, the City was in year three of the \$463 million sewer expansion project, which voters approved in November 2001. The project calls for expanding the existing collection system by contracting and installing 390 miles of gravity sewer lines, 400 miles of gravity sewer laterals, 9,700 sewer manholes, 17 miles of sewer force main, 75 pumping stations, decommissioning over 25,000 individual onsite septic systems (90% of the residential population), building a new treatment plant with a capacity of 14 million gallons per day, upgrading two existing treatment plants to treat an additional 1.1 million gallons per day or 4.7 million gallons per day total, and developing reuse/disposal facilities.

The construction project, which began in October 2002, should be completed within 10-15 years and is being financed by voter-approved borrowing authority. The project will be funded from a combination of financing secured through the Water Infrastructure Financing Authority (WIFA) of Arizona and Greater Arizona Development Authority (GADA). The debt service periods will range from twenty to thirty years to keep debt payments level, therefore maintaining stable rates for customers.

Most of Program Year 3 completed approximately 4,635 residential connections to sewer at the end of fiscal year 2004-05. The City has been preparing to finance Program Year 4, beginning in fiscal year 2005-06, and is continuously monitoring the financial plan for the remaining life of the project.

Relevant Financial Policies

Budgetary Controls

The Council is required to adopt a tentative budget on or before the third Monday in July of each fiscal year. Once the tentative budget has been adopted, the expenditures may not be increased upon final adoption, only decreased. There is no specific date set by Arizona state law for adoption of the final budget. The formal adoption of Lake Havasu City's final budget usually occurs at the last Council meeting in June. This annual budget serves as the foundation for the City's financial planning and control. The budget appropriates available monies for the City's various funds, functions (e.g., public safety), and departments (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council. During fiscal year 2004-05 there were no supplementary budgetary appropriations to the original budget.

Cash Management

The Finance Department manages the City's investment portfolio. Cash and investment balances are reviewed each morning. Public funds are invested in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

The City is empowered to invest in demand deposits, obligations of the U. S. government, its agencies and instrumentalities, fully insured or collateralized certificates of deposit, AA rated bankers' acceptances, A-1/P-1 rated commercial paper, repurchase agreements, AAA rated money market fund, and the State of Arizona Local Government Investment Pool.

The primary objectives of the City's investment activities, in order of priority are: safety of principal, liquidity, and attaining a rate of return. Deposits and investments (excluding fiduciary funds) at June 30, 2005, were \$45,184,634, a decrease of \$2,897,244 from June 30, 2004. Temporary idle cash in the City's operating checking account with Bank One is invested in overnight repurchase agreements collateralized by the U. S. government securities.

Risk Management

The City is exposed to various risks of loss related to public and property liability and workers compensation. Public liability includes public officials' errors and omissions, automobile, and general liability. During fiscal year 2004-05 and for fiscal year 2005-06, the City is fully insured with per occurrence limit at \$1,000,000 and with an annual aggregate limit at \$10,000,000.

During the fiscal year ended June 30, 2005, there was no significant reduction in excess insurance coverage. The Risk Management Section of the Finance Department administers the City's liability insurance program. Workers compensation claims are reviewed by Risk Management and handled through the State Compensation Fund.

Lake Havasu City has an aggressive safety program that promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses.

The City continues to pursue ways of reducing risk exposures. City management considered the following relationships in developing a risk management program: those risks characterized by high frequency and low severity and most appropriately dealt with through retention and reduction; those risks with high severity and low probability are most appropriately dealt with through insurance; those risks marked by high severity and high frequency are dealt with through avoidance and reduction; finally, those risks characterized by low severity and low frequency are best handled through retention.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lake Havasu City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the eighteenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, Lake Havasu City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2004. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This was the tenth year that the City has received this prestigious award.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and governing Council for their support in maintaining the highest standards of professionalism in the management of Lake Havasu City's finances.

Respectfully submitted,

The image shows two handwritten signatures in black ink. The signature on the left is 'Tim Ernster' and the signature on the right is 'Gayle Whittle'.

Tim Ernster
City Manager

Gayle Whittle
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Havasu County,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

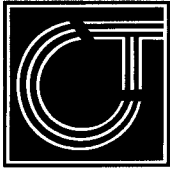
Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

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CRONSTROM, TRBOVICH & OSUCH

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council of
Lake Havasu City, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Havasu City, Arizona, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and HURF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 15 - 28 and the Public Safety Personnel Retirement Systems Schedule of Funding Progress on pages 70 - 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cronstrom, Trbovich & Osuch, P.C.

Cronstrom, Trbovich & Osuch, P.C.

November 30, 2005

Management's Discussion and Analysis

As management of Lake Havasu City, Arizona (City), we offer this narrative overview and analysis of the financial activities of Lake Havasu City, Arizona, for the fiscal year ended June 30, 2005. This discussion and analysis is designed to be used in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 8 of this report as well as the basic financial statements beginning on page 30 and the accompanying notes to the basic financial statements.

Financial Highlights

- The assets of Lake Havasu City exceeded its liabilities at the close of the most recent fiscal year by \$209 million (net assets), \$72.6 million in governmental activities, and \$136.4 million in business-type activities. Of this amount, \$48.6 million is unrestricted net assets, (\$19.0 million in governmental activities, and \$29.6 million in business-type activities) and may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$17.1 million (8.9 percent). This increase can be attributed mainly to capital contributions from the General Fund to the Irrigation and Drainage District and treatment capacity fees collected in the Sanitary Fund.
- As of the close of the current fiscal year, Lake Havasu City's governmental funds reported combined ending fund balances of \$23.4 million, an increase of \$826,079 in comparison with the prior year. Of this total amount, approximately \$22.2 million is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$16.2 million or 56.8 percent of total General Fund expenditures.
- Lake Havasu City's total debt increased by \$28.4 million (61 percent) during the current fiscal year. The key factor in this increase was the issuance of over \$25 million in WIFA loans for the Wastewater Expansion Project.
- The governmental activities program revenues decreased by \$3.3 million (20.5 percent) from the previous year due to the \$3.6 million in capital grants received in the prior fiscal year.
- The business-type activities program revenues increased by \$4.0 million (17.3 percent) from the previous year primarily due to an increased customer base in the wastewater utility.
- General fund revenues (on a budgetary basis) exceeded budgeted revenues by \$1.9 million for fiscal year 2004-05. Additionally, budgetary basis expenditures were only 92 percent (\$2.5 million in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$11.7 million, a positive variance of \$4.4 million from the final budget.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lake Havasu City's basic financial statements. Lake Havasu City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Lake Havasu City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Lake Havasu City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of Lake Havasu City is improving or declining.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Lake Havasu City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Lake Havasu City include general government, public safety, highways and streets, culture and recreation, tourism and promotion and transportation services. The business-type activities of Lake Havasu City include water (Irrigation and Drainage), wastewater (Sanitary) and trash (Refuse) utilities, the airport, and recreation/aquatic center. These activities are primarily supported through user charges and fees.

The government-wide financial statements include not only Lake Havasu City itself but also one type of separate legal entity in its report – Improvement Districts. Although legally separate, these “component units” are important because the City is financially accountable for them. A description of these units is available in Note 1 on page 45. Separate financial statements are not prepared for these component units.

The government-wide financial statements can be found on pages 30 - 31 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lake Havasu City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lake Havasu City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lake Havasu City maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund (HURF), the Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Lake Havasu City adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and HURF Fund, as part of the basic financial statements to demonstrate compliance with this budget. Budgetary comparisons for all other governmental funds are provided in the combining and individual fund statements and schedules.

The basic governmental fund financial statements can be found on pages 32 - 37 of this report.

Proprietary funds. Lake Havasu City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Lake Havasu City uses enterprise funds to account for its water (Irrigation and Drainage District), sewer (Sanitary), trash (Refuse), airport, and recreation/aquatic center operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among Lake Havasu City's various functions. Lake Havasu City uses an internal service fund to account for the Employee Benefit Trust (EBT) activities, the City's limited risk self-insurance program for employees and dependents. Because the services provided by EBT predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and trash utilities and airport and recreation/aquatic center as well as the Employee Benefit Trust, all of which are considered to be major funds for Lake Havasu City.

The basic proprietary fund financial statements can be found on pages 38 - 41 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Lake Havasu City's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

The basic fiduciary fund financial statements can be found on pages 42 - 43 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 45 - 68 of this report.

Required supplemental information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Lake Havasu City's progress in funding its obligation to provide pension benefits to its public safety employees. Required supplementary information can be found on pages 70 - 71 of this report.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 76 - 91 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Havasu City, assets exceeded liabilities by \$209 million at the close of the most recent year.

Lake Havasu City, Arizona
Condensed Statement of Net Assets
June 30, 2005
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2005	2004	2005	2004	2005	2004	
ASSETS							
Current and other assets	\$ 31.0	\$ 30.7	\$ 40.3	\$ 35.4	\$ 71.3	\$ 66.1	7.9 %
Capital assets							
Non-depreciable	13.1	13.7	16.6	33.1	29.7	46.8	(36.5)%
Depreciable (net)	<u>46.3</u>	<u>44.3</u>	<u>152.6</u>	<u>98.2</u>	<u>198.9</u>	<u>142.5</u>	39.6 %
Total assets	<u>90.4</u>	<u>88.7</u>	<u>209.5</u>	<u>166.7</u>	<u>299.9</u>	<u>255.4</u>	17.4 %
LIABILITIES							
Other liabilities	3.1	3.6	9.4	12.0	12.5	15.6	(19.9)%
Non-current liabilities							
Due within one year	5.2	4.3	1.8	6.6	7.0	10.9	(35.8)%
Due in more than one year	<u>9.5</u>	<u>11.1</u>	<u>61.9</u>	<u>25.9</u>	<u>71.4</u>	<u>37.0</u>	93.0 %
Total liabilities	<u>17.8</u>	<u>19.0</u>	<u>73.1</u>	<u>44.5</u>	<u>90.9</u>	<u>63.5</u>	43.1 %
NET ASSETS							
Invested in capital assets, net of related debt	46.8	44.5	106.8	98.9	153.6	143.4	7.1 %
Restricted	6.9	5.9	0.0	0.0	6.9	5.9	16.9 %
Unrestricted	<u>18.9</u>	<u>19.3</u>	<u>29.6</u>	<u>23.3</u>	<u>48.5</u>	<u>42.6</u>	13.8 %
Total net assets	<u>\$ 72.6</u>	<u>\$ 69.7</u>	<u>\$ 136.4</u>	<u>\$ 122.2</u>	<u>\$ 209.0</u>	<u>\$ 191.9</u>	8.9 %

By far the largest portion of Lake Havasu City's net assets (73 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Lake Havasu City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lake Havasu City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Lake Havasu City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$48.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lake Havasu City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$17.1 million during the current fiscal year. About 62 percent of this increase represents capital contributions to the business-type funds in the form of federal and state grants, General Fund capital contributions, and treatment capacity fees. The remainder of this growth largely reflects increased tax revenues, increases in operating grants, and investment earnings.

Lake Havasu City, Arizona
Statement of Activities
For the Fiscal Year Ended June 30, 2005
(In thousands of dollars)

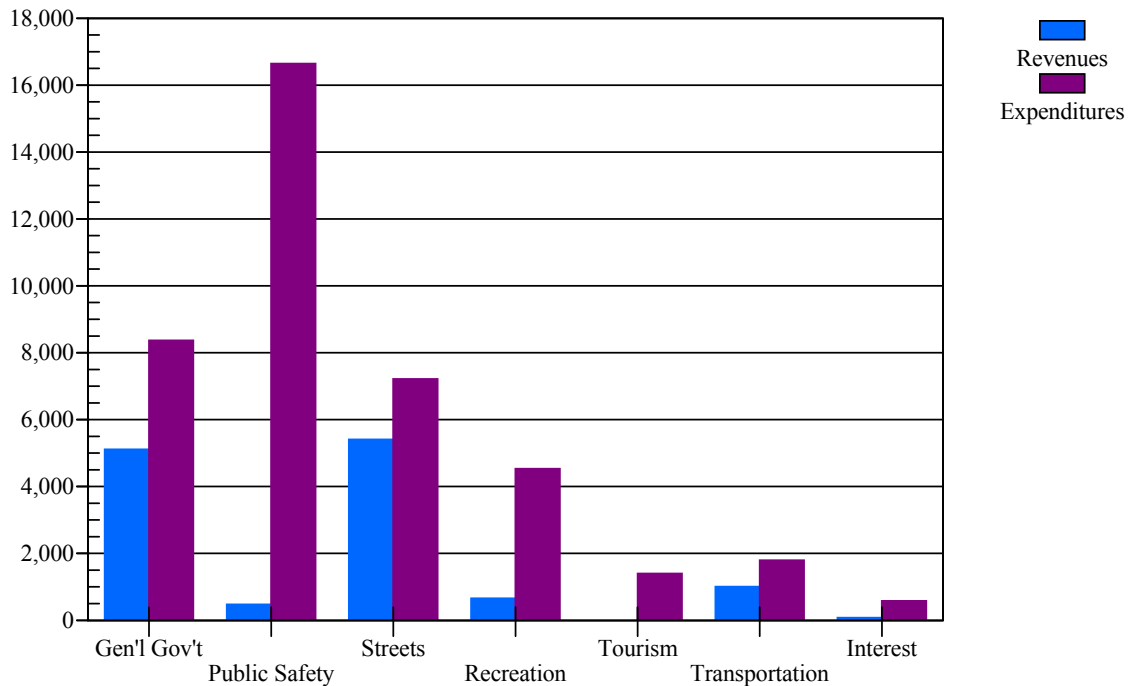
	Governmental Activities		Business-type Activities		Total		Percent Change
	2005	2004	2005	2004	2005	2004	
REVENUES							
Program revenues							
Fees, fines and charges for services	\$ 5,497	\$ 5,514	\$ 18,940	\$ 17,418	\$ 24,437	\$ 22,932	6.6 %
Operating grants and contributions	6,874	5,818	1,361	1,248	8,235	7,066	16.5 %
Capital grants and contributions	368	4,697	6,553	4,236	6,921	8,933	(22.5)%
General revenues							
Property taxes	3,497	3,107	1,993	2,052	5,490	5,159	6.4 %
Business taxes	20,558	19,055	-	-	20,558	19,055	7.9 %
Other taxes and state shared revenues	10,616	9,958	-	-	10,616	9,958	6.6 %
Investment earnings	621	480	696	336	1,317	816	(61.4)%
Other	<u>17</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>37</u>	(54.1)%
Total revenues	<u>48,048</u>	<u>48,666</u>	<u>29,543</u>	<u>25,290</u>	<u>77,591</u>	<u>73,956</u>	4.9 %
EXPENSES							
General government	8,369	8,476	-	-	8,369	8,476	(1.3)%
Public safety	16,646	14,960	-	-	16,646	14,960	11.3 %
Highways and streets	7,215	6,445	-	-	7,215	6,445	11.9 %
Culture and recreation	4,533	3,725	-	-	4,533	3,725	21.7 %
Tourism and promotion	1,398	1,265	-	-	1,398	1,265	10.5 %
Transportation	1,796	1,761	-	-	1,796	1,761	2.0 %
Interest on long term debt	581	732	-	-	581	732	(20.6)%
Refuse	-	-	434	395	434	395	9.9 %
Recreation/Aquatic Center	-	-	1,221	1,166	1,221	1,166	4.7 %
Irrigation and Drainage	-	-	9,452	7,425	9,452	7,425	27.3 %
Sanitary	-	-	7,309	6,396	7,309	6,396	14.3 %
Airport	-	-	1,499	2,128	1,499	2,128	(29.6)%
Total expenses	<u>40,538</u>	<u>37,364</u>	<u>19,915</u>	<u>17,510</u>	<u>60,453</u>	<u>54,874</u>	10.2 %
Increase in assets before transfers	7,510	11,302	9,628	7,780	17,138	19,082	(10.2)%
Transfers	<u>(4,564)</u>	<u>(3,437)</u>	<u>4,564</u>	<u>3,437</u>	<u>-</u>	<u>-</u>	
Increase in net assets	2,946	7,865	14,192	11,217	17,138	19,082	(10.2)%
Net assets at beginning of year	<u>69,667</u>	<u>61,802</u>	<u>122,229</u>	<u>111,012</u>	<u>191,896</u>	<u>172,814</u>	11.0 %
Net assets at end of year	<u>\$ 72,613</u>	<u>\$ 69,667</u>	<u>\$ 136,421</u>	<u>\$ 122,229</u>	<u>\$ 209,034</u>	<u>\$ 191,896</u>	8.9 %

Governmental activities. Governmental activities increased Lake Havasu City's net assets by \$2.9 million, thereby accounting for 17.2 percent of the total growth in the net assets. Key elements of this increase are as follows:

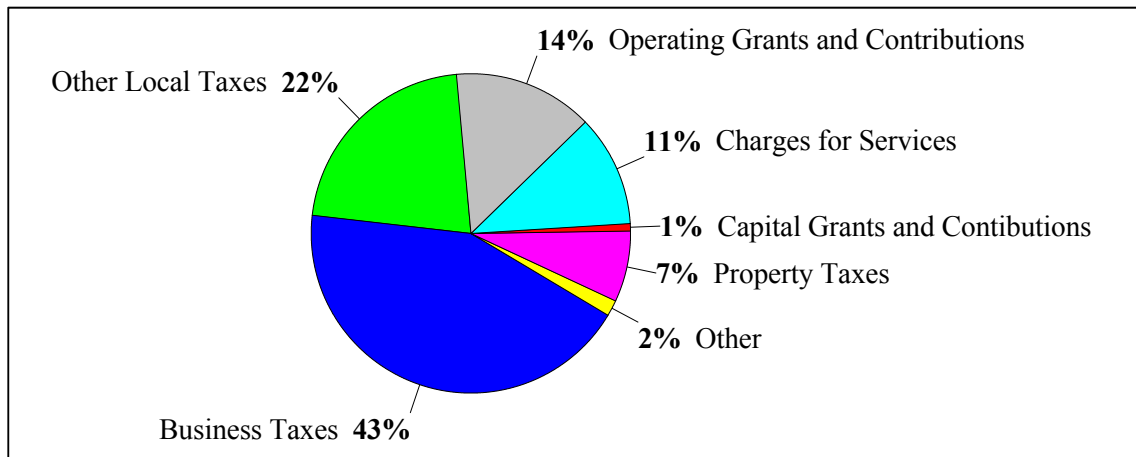
- Operating grants and contributions increased \$1.1 million (18.2 percent). This increase is mainly attributed to increased state shared highway user revenue.
- Property taxes increased \$389,805 (12.5 percent) during the year. Most of this increase is the product of increased property valuation.
- Business taxes increased \$1.5 million (7.9 percent). The City continues to realize strong sales tax revenues from favorable tourism, retail and construction activity.

The increase in expenses of \$3.2 million (8.5 percent) is mainly a result of bringing staffing levels in public safety closer to desired levels. In the prior fiscal year, vacancies existing in both police and fire exceeded the normal level. That gap has decreased in the current fiscal year. In addition, highways and streets expenses increased by \$769,262 (11.9 percent) due to additional maintenance required on streets and drainage from excessive storm activity during the year.

Lake Havasu City, Arizona
Program Revenues and Expenses
Governmental Activities
Fiscal Year 2004-05
(In thousands of dollars)



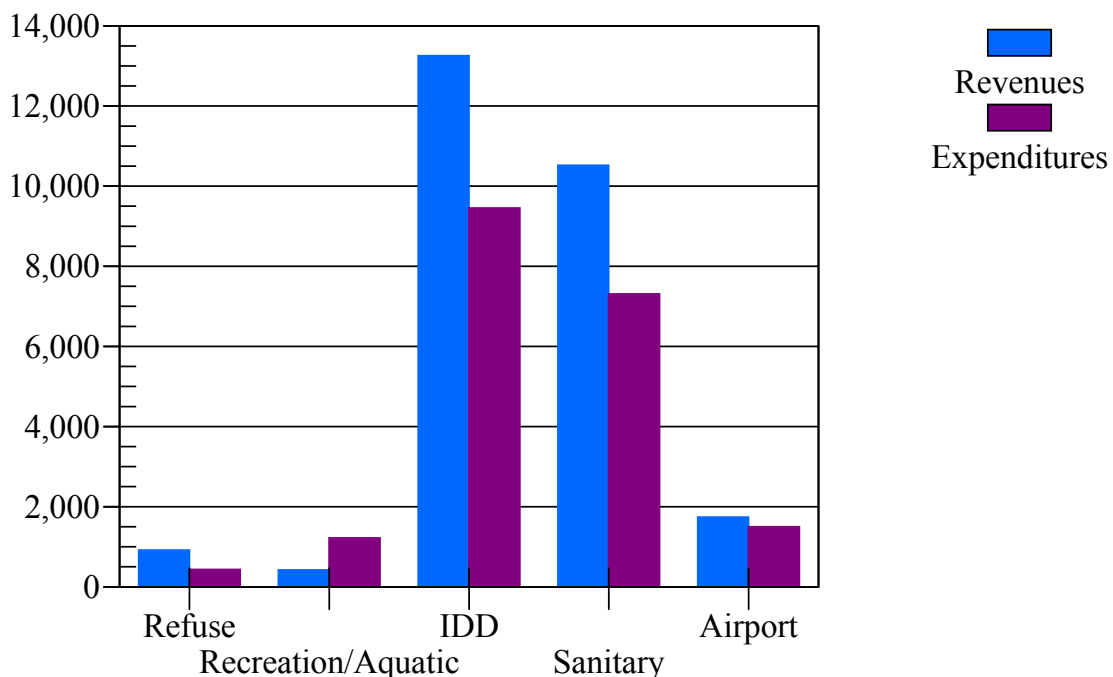
Lake Havasu City, Arizona
Revenues By Source
Governmental Activities
Fiscal Year 2005-05



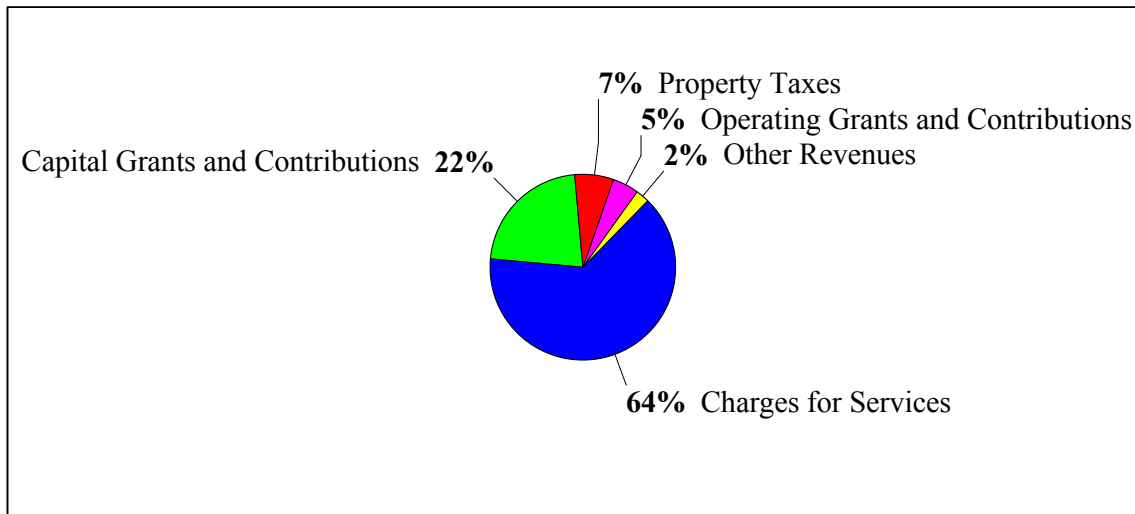
Business-type activities. Business-type activities increased Lake Havasu City's net assets by \$14.2 million, accounting for 82.8 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities increased \$1.5 million (8.7 percent) during the year due to a 10 percent rate increase in water and additional revenues generated in the Sanitary Fund from an expanded customer base.
- Capital grants and contributions increased \$2.3 million (54.7 percent) during the year. This is due to a capital contribution for acquisition of water resources and treatment capacity fees collected for the sewer expansion.
- Expenses in water increased by \$2 million (27.3 percent). Costs to operate the new water treatment plant accounted for most of this increase, as well as costs associated with providing services to an increased customer base.
- As with water, sewer expenses also increased by \$913,045 (14.3 percent). The sewer expansion project was the main contributing factor to this increase, as is the growing expense of maintaining the expanded sewer system.

Lake Havasu City, Arizona
Program Revenues and Expenses
Business-type Activities
Fiscal Year 2004-05
(In thousands of dollars)



Lake Havasu City, Arizona
Revenues By Source
Business-type Activities
Fiscal Year 2004-05



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lake Havasu City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lake Havasu City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Lake Havasu City's governmental funds reported combined ending fund balances of \$23.4 million, an increase of \$826,079 in comparison with the prior year. Approximately \$22.2 million (95 percent) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$149,969), 2) to pay for debt service (\$909,738), or 3) for a variety of other restricted purposes (\$208,600).

The General Fund is the chief operating fund of Lake Havasu City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$16.2 million, while total fund balance reached \$16.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 57 percent of total General Fund expenditures, while total fund balance represents 58 percent of that same amount.

The fund balance of Lake Havasu City's General Fund decreased \$315,322 during the current fiscal year. Key factors for this reduction are as follows:

- Public safety costs in both police and fire increased in total by \$2.3 million over last fiscal year. This represented a 16.2 percent increase. This increase was the result of filling vacancies in public safety, therefore bringing staffing levels closer to their budgeted levels to service the community population.
- Culture and recreation also had an increase in expenses of approximately \$1 million (27 percent) over last year. This increase is necessitated by the growth of parks, with the addition of more neighborhood parks, maintenance of the Main Street area, and expanded maintenance of highway frontage and municipal buildings. There was also a reduction in revenues due to a modified school calendar schedule, causing a shortened time frame for the school programs.
- During the past 10 years, the government's expenses related to public safety and parks and recreation have increased not only in amount, but also as a percentage of total expenses (a ten-year increase of 103 percent and 209 percent, respectively). In the case of public safety, much of the increase reflects a regional trend that has seen the salaries and benefits of police and firefighters growing at a faster rate (due to the needs of an increasing population) than those of other categories of public-sector employees.
- During the same 10-year period, charges for services, while continuing to increase in amount, have actually decreased as a percentage of total revenue. The reason for this slight decline is the increase in expenses related to services that are not supported by fees and charges (e.g., public safety); thus, as taxes have increased to support these services, so has the proportion of total revenue generated by taxes.
- A slight increase of \$806,499 (7 percent) in transfers out represents increases in operating subsidies to other funds and increased debt service requirements.

Lake Havasu City's Debt Service Fund has a total fund balance of \$909,738, all of which is reserved for the payment of debt service. The net decrease in the Debt Service Fund balance during the current year was \$133,328. The Debt Service Fund receives annual transfers from other funds owing for capital projects for which bonds were issued to cover costs. Transfer amounts are made according to the current fiscal year payment requirements.

Proprietary funds. Lake Havasu City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets for the Irrigation and Drainage District (water utilities) were \$6 million, the Sanitary Fund (wastewater utilities) were \$20.9 million, Airport Fund were \$356,844, Refuse Fund were \$2.4 million, and Recreation/Aquatic Center Fund were \$42,091. The internal service fund, which is used to account for Lake Havasu City's limited risk self-insurance program for employee and dependent medical care, had unrestricted net assets of \$3.7 million. Other factors concerning the finances of these proprietary funds have already been addressed in the discussion of Lake Havasu City's business-type activities.

General Fund Budgetary Highlights

During the year there were no changes in appropriations between the original and final amended budget. The actual expenditures reflected a favorable variance to original and final budget in the amount of \$2.5 million, or 8.4 percent less than the total appropriations.

Total revenues for the fiscal year also reflect a positive variance in the amount of \$1.9 million (5.2 percent). This was due mainly, as mentioned previously, to favorable sales tax and state shared revenues.

The end of year actual fund balance to projected fund balance reflects an additional \$10.1 million due to the favorable variances in both revenues and expenditures for the fiscal year.

Capital Asset and Debt Administration

Capital assets. Lake Havasu City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$228.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, other improvements, water rights, machinery and equipment, park facilities, roads, and highways. The total increase in Lake Havasu City's investment in capital assets for the current fiscal year (net of depreciation) showed a 20.8 percent increase of \$39.3 million. The total increase for governmental activities was \$1.5 million, a 2.5 percent increase. The total increase for business-type activities was \$37.8 million, or 28.8 percent increase.

Major capital asset events during the current fiscal year included the following:

- Construction continued on Lake Havasu City's sewer expansion project during the fiscal year. The increase to this system totaled \$32.4 million. An additional \$1.3 million was spent on the North Regional Wastewater Treatment Plant and Mulberry Treatment Plant improvements.
- The General Fund purchased \$4.1 million for the acquisition of water rights, which were transferred to the Irrigation and Drainage District (water utility).
- Various ongoing projects added \$2.6 million to the water system. These projects included water service line improvements and replacement, water tank rehabilitation, drainage improvements, and pump station improvements.
- The airport performed various improvements totaling \$1.4 million in security features to the airport facility including roadway access.
- Street construction continued with road widening projects and street drainage improvements totaling \$1.8 million.
- Lake Havasu City began a vehicle and equipment replacement program that added an additional \$2.5 million in fleet to the governmental activities and \$582,040 to the business-type activities.

Lake Havasu City, Arizona
Capital Assets, Net of Depreciation
June 30, 2005
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2005	2004	2005	2004	2005	2004	
Land	\$ 10,484	\$ 10,484	\$ 3,002	\$ 3,002	\$ 13,486	\$ 13,486	0.0 %
Improvements to Land	4,224	4,390	-	-	4,224	4,390	(3.8)%
Buildings, Structures and Improvements	15,259	15,597	28,938	6,314	44,197	21,911	101.7 %
Other Improvements	-	-	122,583	91,033	122,583	91,033	34.7 %
Equipment, Furniture & Fixtures	4,432	2,999	1,064	876	5,496	3,875	41.8 %
Construction in Progress	2,650	3,174	6,308	26,993	8,958	30,167	(70.3)%
Infrastructure	22,428	21,333	-	-	22,428	21,333	5.1 %
Water Allocation Rights	-	-	7,265	3,114	7,265	3,114	133.3 %
Total	<u>\$ 59,477</u>	<u>\$ 57,977</u>	<u>\$ 169,160</u>	<u>\$ 131,332</u>	<u>\$ 228,637</u>	<u>\$ 189,309</u>	20.8 %

Additional information on Lake Havasu City's capital assets can be found in Note 3. A. 4. on pages 56 -57 of this report.

Long-term debt. At the end of the current fiscal year, Lake Havasu City had total bonded debt outstanding of \$71.9 million. Of this amount, \$195,000 is general obligation bonds backed by the full faith and credit of the Irrigation & Drainage District (water utilities), \$10.2 million is revenue bonds, and \$60.9 million is a loan from the Water Infrastructure Financing Authority (WIFA) of Arizona. The remaining \$695,000 is improvement district bonds for the McCulloch Boulevard streetscape improvements at the request of the property owners.

During the fiscal year, the City secured \$35.2 million from WIFA for the wastewater capital improvements. The City retired \$3.2 million in revenue bonds and \$80,000 in special assessment debt. The City also retired \$20,000 in general obligation bonds of the Irrigation and Drainage District.

During the current fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates. Lake Havasu City retired \$5.8 million in WIFA loans, the principal of which would have become payable June 1, 2005. The debt was refinanced with a WIFA loan payable over 20 years.

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding secondary assessed valuation of the City. Lake Havasu City's available debt margin at June 30, 2005, is \$27.1 million in the 6 percent capacity and \$50.3 million in the 20 percent capacity. Additional information on the debt limitations and capacities may be found on page 115 in the statistical section of this report. See Note 3. C. and 3. D. to the financial statements for further information regarding capital leases and long-term bonds and loans.

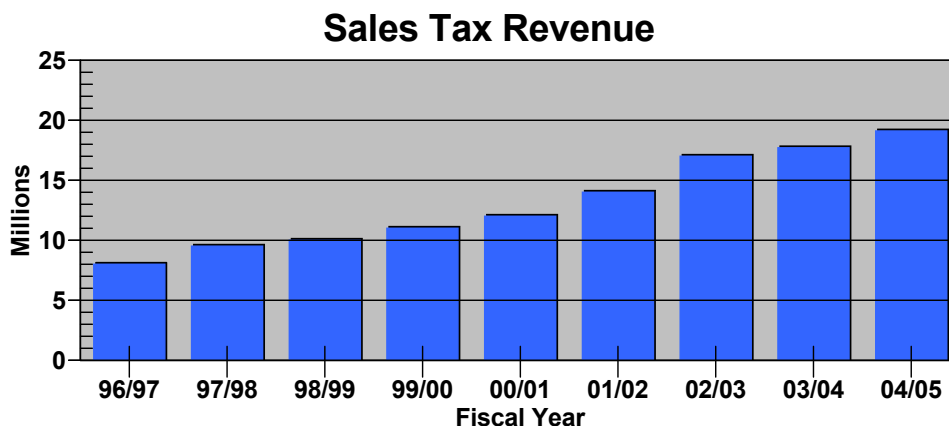
Lake Havasu City, Arizona
Outstanding Debt
June 30, 2005
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2005	2004	2005	2004	2005	2004	
General Obligation Bonds	\$ -	\$ -	\$ 195	\$ 215	\$ 195	\$ 215	(9.3)%
Revenue Bonds	10,190	13,345	-	-	10,190	13,345	(23.6)%
Special Assessments Debt with Government Commitment	695	775	-	-	695	775	(10.3)%
LHC WIFA Design Loan	-	-	0	5,765	0	5,765	(100.0)%
LHC WIFA Jr. Lien Revenue, G/O Loan	-	-	8,150	8,508	8,150	8,508	(4.2)%
LHC WIFA Sr. Lien Revenue, G/O Loan	-	-	8,150	8,508	8,150	8,508	(4.2)%
LHC WIFA 2004 Design	-	-	3,560	3,422	3,560	3,422	4.0 %
LHC WIFA 2004 Sr. Lien Revenue, G/O Loan	-	-	5,940	5,940	5,940	5,940	- %
LHC WIFA 2004A Design	-	-	3,693	-	3,693	-	- %
LHC WIFA 2004A Jr. Construction	-	-	31,362	-	31,362	-	- %
Total Bonds Payable	<u>10,885</u>	<u>14,120</u>	<u>61,050</u>	<u>32,358</u>	<u>71,935</u>	<u>46,478</u>	54.8 %
Capital Lease	2,518	113	595	15	3,113	128	2,332.0 %
Compensated Absences	<u>1,357</u>	<u>1,236</u>	<u>151</u>	<u>133</u>	<u>1,508</u>	<u>1,369</u>	10.2 %
Total Long-Term Liabilities	<u>\$ 14,760</u>	<u>\$ 15,469</u>	<u>\$ 61,796</u>	<u>\$ 32,506</u>	<u>\$ 76,556</u>	<u>\$ 47,975</u>	59.6 %

Economic Factors and Next Year's Budgets and Rates

Sales Tax

Lake Havasu City's most reliable indicator of economic condition is sales tax. The City's collection of sales tax revenue comprised 49% of the total General Fund revenues in fiscal year 2004-05. This represents an increase of 7.6% over the previous year. The City's sales tax rate is currently 2% with an additional 1% for restaurant/bar activity. The City anticipates a steady increase of approximately 5% annually due to the growing population and strong tourism trade. The favorable economic outlook can be contributed to consumer confidence, continued low interest rates and a strong housing market.



- The unemployment rate for Lake Havasu City is currently 2.8 percent, which is a decrease from a rate of 3.2 percent one year ago. This compares favorably to the state's average unemployment rate of 4.6 percent and the national average rate of 5.2 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing Lake Havasu City's budget for the 2006 fiscal year.

During the current fiscal year, unreserved, undesignated fund balance in the General Fund decreased to \$16.2 million. Lake Havasu City has appropriated \$10.9 million of this amount for spending in the 2006 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2006 fiscal year. It also is intended to obviate the need for the transfer of additional resources to the General Fund.

Recognizing that the City's General Fund balance can no longer sustain the reduction it has over the last several years, management is recommending to Council that it change its position of paying capital improvements on a pay-as-you-go basis to paying using bonded debt. This change in policy should help the City to build cash balances over the next several years both for financial stability and in anticipation of capital and ongoing operational needs of a growing city and a future national recession. In addition, the City is reviewing the practice of imposing impact fees to cover the cost of major infrastructure associated with new growth.

The City elected to hold the primary property tax levy rates at \$0.7958 per \$100 assessed value due to rising assessed value of property. In fiscal year 2004-05, the secondary assessed value was \$450,837,893 compared to \$379,120,293 in fiscal year 2003-04, an increase of 18.9 percent.

Building permit fees are expected to meet the prior year based on the continued growth in the City with planned developments and new housing construction market.

Both sewer and trash rates will realize increases in the 2006 budget year. The water rates have not been increased since July 2004. Sewer rates were also increased at the beginning of July 2005 based on a sewer rate study adopted by Council in 2005. The sewer revenues are also expected to increase due to the expanded customer base. Trash rates are increased annually in April by a consumer price index.

Requests for Information

This financial report is designed to provide a general overview of Lake Havasu City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Department
Lake Havasu City
2330 McCulloch Blvd. N.
Lake Havasu City, AZ 86403
Telephone (928) 855-2116
Fax (928) 855-0551
Website: www.ci.lake-havasus-city.az.us

Basic Financial Statements

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and equivalents	\$ 23,869,436	\$ 19,293,277	\$ 43,162,713
Receivables, net			
Accounts receivable	122,094	6,220,911	6,343,005
Taxes receivable	167,697	135,371	303,068
Intergovernmental receivable	5,641,420	11,560,342	17,201,762
Special assessments receivable	655,537	-	655,537
Interest receivable	107,045	89,142	196,187
Inventories	208,600	3,981	212,581
Prepaid items	182,233	179,952	362,185
Deferred charges	-	883,438	883,438
Restricted assets	-	2,021,921	2,021,921
Capital assets			
Non-depreciable	13,134,108	16,574,979	29,709,087
Depreciable (net)	<u>46,343,447</u>	<u>152,584,800</u>	<u>198,928,247</u>
Total assets	<u>90,431,617</u>	<u>209,548,114</u>	<u>299,979,731</u>
Liabilities			
Accounts payable	629,730	2,801,584	3,431,314
Accrued wages and benefits	1,151,330	182,873	1,334,203
Interest payable	17,809	609,029	626,838
Intergovernmental payable	252,739	112,600	365,339
Retainage payable	109,561	2,575,061	2,684,622
Unearned revenue	42,622	2,125,978	2,168,600
Performance bonds payable	264,866	-	264,866
Developer agreements	130,821	-	130,821
Claims payable	458,637	-	458,637
Matured debt principal payable	-	735,548	735,548
Liabilities payable from restricted assets	-	347,806	347,806
Noncurrent liabilities			
Due within one year	5,238,495	1,758,646	6,997,141
Due in more than one year	<u>9,522,366</u>	<u>61,877,299</u>	<u>71,399,665</u>
Total liabilities	<u>17,818,976</u>	<u>73,126,424</u>	<u>90,945,400</u>
Net assets			
Invested in capital assets, net of related debt	46,769,169	106,779,037	153,548,206
Restricted for			
Highways and streets	552,766	-	552,766
Debt service	909,738	-	909,738
Capital outlay	4,576,046	-	4,576,046
Other	857,345	-	857,345
Unrestricted	<u>18,947,577</u>	<u>29,642,653</u>	<u>48,590,230</u>
Total net assets	<u>\$ 72,612,641</u>	<u>\$ 136,421,690</u>	<u>\$ 209,034,331</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Totals
Governmental activities						
General government	\$ 8,368,982	\$ 4,312,475	\$ 560,998	\$ 238,548	\$ (3,256,961)	\$ (3,256,961)
Public safety	16,646,139	145,296	330,311	-	(16,170,532)	(16,170,532)
Highways and streets	7,214,688	39,402	5,333,317	35,764	(1,806,205)	(1,806,205)
Culture and recreation	4,533,104	551,165	12,250	93,414	(3,876,275)	(3,876,275)
Tourism and promotion	1,398,228	-	-	-	(1,398,228)	(1,398,228)
Transportation services	1,796,054	367,310	637,382	-	(791,362)	(791,362)
Interest on long-term debt	581,320	80,978	-	-	(500,342)	(500,342)
Total governmental activities	<u>40,538,515</u>	<u>5,496,626</u>	<u>6,874,258</u>	<u>367,726</u>	<u>(27,799,905)</u>	<u>(27,799,905)</u>
Business-type activities						
Refuse	433,897	917,215	-	-	\$ 483,318	483,318
Recreation / Aquatic Center	1,220,529	422,279	-	-	(798,250)	(798,250)
Irrigation and Drainage	9,452,177	11,945,099	1,308,406	-	3,801,328	3,801,328
Sanitary	7,308,945	5,110,191	-	5,409,796	3,211,042	3,211,042
Airport	1,499,059	545,364	52,250	1,142,744	241,299	241,299
Total business-type activities	<u>19,914,607</u>	<u>18,940,148</u>	<u>1,360,656</u>	<u>6,552,540</u>	<u>6,938,737</u>	<u>6,938,737</u>
Totals	<u>\$ 60,453,122</u>	<u>\$ 24,436,774</u>	<u>\$ 8,234,914</u>	<u>\$ 6,920,266</u>	<u>(27,799,905)</u>	<u>(20,861,168)</u>
General revenues						
Taxes						
Sales taxes					20,558,443	20,558,443
Property taxes					3,497,095	3,497,095
Franchise taxes					254,675	254,675
State revenue sharing					3,855,258	3,855,258
State sales tax revenue sharing					3,885,149	3,885,149
Auto lieu tax revenue sharing					2,620,537	2,620,537
Investment earnings					621,096	621,096
Other					17,325	17,325
Transfers					(4,564,265)	(4,564,265)
Total general revenues and transfers					<u>30,745,313</u>	<u>30,745,313</u>
Change in net assets					2,945,408	2,945,408
Net assets, beginning of year					<u>69,667,233</u>	<u>69,667,233</u>
Net assets, end of year					<u>\$ 72,612,641</u>	<u>\$ 72,612,641</u>
					<u>\$ 136,421,690</u>	<u>\$ 136,421,690</u>
					<u>\$ 209,034,331</u>	<u>\$ 209,034,331</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
Assets						
Cash and equivalents	\$ 13,406,112	\$ 145,113	\$ 927,547	\$ 4,700,333	\$ 616,678	\$ 19,795,783
Receivables, net						
Accounts receivable	103,906	2,072	-	-	8,044	114,022
Taxes receivable	154,741	-	-	-	12,956	167,697
Intergovernmental receivable	4,040,274	576,252	-	160,714	864,180	5,641,420
Special assessments receivable	-	-	655,537	-	-	655,537
Interest receivable	77,018	837	-	-	-	77,855
Due from other funds	388,473	-	-	-	-	388,473
Inventories	150,580	58,020	-	-	-	208,600
Prepaid items	86,398	60,774	-	-	2,797	149,969
Total assets	<u>\$ 18,407,502</u>	<u>\$ 843,068</u>	<u>\$ 1,583,084</u>	<u>\$ 4,861,047</u>	<u>\$ 1,504,655</u>	<u>\$ 27,199,356</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 320,643	\$ 56,038	\$ -	\$ 69,590	\$ 183,459	\$ 629,730
Accrued wages and benefits	1,001,449	90,499	-	-	59,382	1,151,330
Interest payable	-	-	17,809	-	-	17,809
Intergovernmental payable	250,486	-	-	-	2,253	252,739
Due to other funds	-	-	-	-	388,473	388,473
Deferred revenue	155,262	-	655,537	-	10,946	821,745
Retainage payable	-	24,971	-	84,590	-	109,561
Performance bonds payable	264,866	-	-	-	-	264,866
Developer agreements	-	-	-	130,821	-	130,821
Total liabilities	<u>1,992,706</u>	<u>171,508</u>	<u>673,346</u>	<u>285,001</u>	<u>644,513</u>	<u>3,767,074</u>
Fund balances						
Reserved for inventories	150,580	58,020	-	-	-	208,600
Reserved for prepaid items	86,398	60,774	-	-	2,797	149,969
Reserved for debt service	-	-	909,738	-	-	909,738
Unreserved	16,177,818	552,766	-	4,576,046	-	21,306,630
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	857,345	857,345
Total fund balances	<u>16,414,796</u>	<u>671,560</u>	<u>909,738</u>	<u>4,576,046</u>	<u>860,142</u>	<u>23,432,282</u>
Total liabilities and fund balances	<u>\$ 18,407,502</u>	<u>\$ 843,068</u>	<u>\$ 1,583,084</u>	<u>\$ 4,861,047</u>	<u>\$ 1,504,655</u>	<u>\$ 27,199,356</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Fund balances - total governmental funds	\$	23,432,282
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Amounts reported for governmental activities in the statement of net assets are different because:

Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.		123,586
Special assessment revenue not available for current resources		655,537

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets		118,517,915
Less accumulated depreciation		<u>(59,040,360)</u>
Capital assets used in governmental activities		<u>59,477,555</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue bonds		(10,190,000)
Special assessment debt with government commitment		(695,000)
Capital leases		(2,518,386)
Compensated absences		(1,357,475)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

		<u>3,684,542</u>
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Net assets of governmental activities	\$	<u>72,612,641</u>
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The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General	HURF	Debt Service	Capital Projects	Nonmajor Funds	Totals
Revenues						
Taxes						
Sales taxes	\$ 19,112,838	\$ -	\$ -	\$ -	\$ 1,445,605	\$ 20,558,443
Property taxes	3,265,062	-	-	-	206,608	3,471,670
Franchise taxes	254,675	-	-	-	-	254,675
Intergovernmental	10,692,277	5,082,726	-	129,178	1,677,067	17,581,248
Fines and forfeitures	1,064,853	-	-	-	94,436	1,159,289
Licenses and permits	3,063,436	-	-	-	-	3,063,436
Charges for services	688,639	11,875	-	-	355,044	1,055,558
Rents and royalties	28,875	-	-	-	-	28,875
Contributions and donations	9,180	-	-	250	12,250	21,680
Special assessments	-	-	181,027	-	-	181,027
Investment earnings	484,262	14,363	1,965	-	34	500,624
Other	68,692	4,489	-	23,038	12,271	108,490
Total Revenues	<u>38,732,789</u>	<u>5,113,453</u>	<u>182,992</u>	<u>152,466</u>	<u>3,803,315</u>	<u>47,985,015</u>
Expenditures						
Current						
General government	7,471,661	-	-	-	798,990	8,270,651
Public safety	16,502,229	-	-	-	225,562	16,727,791
Highways and streets	-	6,444,010	-	-	57,659	6,501,669
Culture and recreation	4,522,196	-	-	-	8,276	4,530,472
Tourism and promotion	-	-	-	-	1,397,567	1,397,567
Transportation services	-	-	-	-	1,666,808	1,666,808
Debt Service						
Principal retirement	-	-	3,235,000	-	-	3,235,000
Interest on long-term debt	-	-	581,320	-	-	581,320
Capital outlay	-	-	-	6,737,122	-	6,737,122
Total Expenditures	<u>28,496,086</u>	<u>6,444,010</u>	<u>3,816,320</u>	<u>6,737,122</u>	<u>4,154,862</u>	<u>49,648,400</u>
Excess (deficiency) of revenues over expenditures	<u>10,236,703</u>	<u>(1,330,557)</u>	<u>(3,633,328)</u>	<u>(6,584,656)</u>	<u>(351,547)</u>	<u>(1,663,385)</u>
Other financing sources (uses)						
Transfers in	-	1,144,143	3,500,000	6,908,695	850,000	12,402,838
Transfers out	(12,476,728)	(135,245)	-	-	(204,000)	(12,815,973)
Proceeds from capital lease	1,924,703	977,896	-	-	-	2,902,599
Total other financing sources (uses)	<u>(10,552,025)</u>	<u>1,986,794</u>	<u>3,500,000</u>	<u>6,908,695</u>	<u>646,000</u>	<u>2,489,464</u>
Net change in fund balances	(315,322)	656,237	(133,328)	324,039	294,453	826,079
Fund balances, beginning of year	<u>16,730,118</u>	<u>15,323</u>	<u>1,043,066</u>	<u>4,252,007</u>	<u>565,689</u>	<u>22,606,203</u>
Fund balances, end of year	<u>\$ 16,414,796</u>	<u>\$ 671,560</u>	<u>\$ 909,738</u>	<u>\$ 4,576,046</u>	<u>\$ 860,142</u>	<u>\$ 23,432,282</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ 826,079

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	5,367,450
Less current year depreciation	<u>(3,853,882)</u>
Excess capital expenditures over depreciation	<u>1,513,568</u>

The statement of activities reports gains/ losses arising from the disposal of existing capital assets. Conversely, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (12,566)

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

Property taxes	25,425
Special assessments	(100,049)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.

Principal payments on long-term debt	3,732,219
Proceeds of capital lease	(2,902,599)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net increase in compensated absences	(121,240)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of the internal service fund is reported with governmental activities. (15,429)

Change in net assets of governmental activities \$ 2,945,408

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 21,757,968	\$ 22,632,575	\$ 874,607
Intergovernmental	9,961,458	10,692,277	730,819
Fines and forfeitures	1,177,000	1,064,853	(112,147)
Licenses and permits	2,711,200	3,063,436	352,236
Charges for services	676,000	688,639	12,639
Rents and royalties	11,600	28,875	17,275
Contributions and donations	-	9,180	9,180
Investment earnings	400,000	484,262	84,262
Other	118,500	68,692	(49,808)
Total Revenues	<u>36,813,726</u>	<u>38,732,789</u>	<u>1,919,063</u>
Expenditures			
Current			
General government			
City council	67,263	37,207	30,056
City clerk	192,777	138,609	54,168
Magistrate court	1,077,488	978,547	98,941
City manager	64,319	23,484	40,835
Finance	573,816	487,768	86,048
Human resources/ risk management	288,795	244,420	44,375
Finance - information systems	641,847	500,933	140,914
City attorney	421,980	277,383	144,597
Non-departmental	1,730,179	922,442	807,737
Govt - outside contracts	942,150	871,560	70,590
Special events	102,000	93,918	8,082
Public works admin. & engineering	446,506	446,506	-
Vehicle maintenance	480,260	448,584	31,676
Community development	1,922,816	1,762,916	159,900
Total general government	<u>8,952,196</u>	<u>7,234,277</u>	<u>1,717,919</u>
Public safety			
Police	8,826,646	8,727,342	99,304
Fire	6,953,594	6,780,277	173,317
Total public safety	<u>15,780,240</u>	<u>15,507,619</u>	<u>272,621</u>
Culture and recreation			
Parks and recreation admin	368,910	351,303	17,607
Recreation department	1,888,127	1,750,941	137,186
Parks and maintenance	2,490,747	2,146,962	343,785
Total culture and recreation	<u>4,747,784</u>	<u>4,249,206</u>	<u>498,578</u>
Total Expenditures	<u>29,480,220</u>	<u>26,991,102</u>	<u>2,489,118</u>
Excess (deficiency) of revenues over expenditures	<u>7,333,506</u>	<u>11,741,687</u>	<u>4,408,181</u>
Other financing sources (uses)			
Transfers out	(18,056,962)	(12,476,728)	5,580,234
Total other financing sources (uses)	<u>(18,056,962)</u>	<u>(12,476,728)</u>	<u>5,580,234</u>
Net change in fund balances	(10,723,456)	(735,041)	9,988,415
Fund balances, beginning of year	<u>16,592,431</u>	<u>16,730,118</u>	<u>137,687</u>
Fund balances, end of year	<u>\$ 5,868,975</u>	<u>\$ 15,995,077</u>	<u>\$ 10,126,102</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
HURF FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 4,419,238	\$ 5,082,726	\$ 663,488
Charges for services	10,000	11,875	1,875
Investment earnings	7,500	14,363	6,863
Other	<u>-</u>	<u>4,489</u>	<u>4,489</u>
Total Revenues	<u>4,436,738</u>	<u>5,113,453</u>	<u>676,715</u>
Expenditures			
Current			
Highways and streets	<u>5,698,559</u>	<u>5,466,114</u>	<u>232,445</u>
Total Expenditures	<u>5,698,559</u>	<u>5,466,114</u>	<u>232,445</u>
Excess (deficiency) of revenues over expenditures	<u>(1,261,821)</u>	<u>(352,661)</u>	<u>909,160</u>
Other financing sources (uses)			
Transfers in	2,544,143	1,144,143	(1,400,000)
Transfers out	<u>(1,200,500)</u>	<u>(135,245)</u>	<u>1,065,255</u>
Total other financing sources (uses)	<u>1,343,643</u>	<u>1,008,898</u>	<u>(334,745)</u>
Net change in fund balances	81,822	656,237	574,415
Fund balances, beginning of year	<u>223,936</u>	<u>15,323</u>	<u>(208,613)</u>
Fund balances, end of year	<u>\$ 305,758</u>	<u>\$ 671,560</u>	<u>\$ 365,802</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Sanitary	Airport	Totals	Governmental Activities - Internal Service Fund
Assets							
Current assets							
Cash and equivalents	\$ 4,267,644	\$ 82,190	\$ 4,610,114	\$ 10,071,359	\$ 261,970	\$ 19,293,277	\$ 4,073,653
Receivables, net							
Accounts receivable	246,402	-	1,985,202	3,973,779	15,528	6,220,911	8,072
Taxes receivable	-	-	93,897	41,474	-	135,371	-
Intergovernmental receivable	-	-	1,292,834	10,132,624	134,884	11,560,342	-
Interest receivable	29,885	-	11,723	47,534	-	89,142	29,190
Inventories	-	3,981	-	-	-	3,981	-
Prepaid items	-	6,680	129,815	37,536	5,921	179,952	32,264
Deferred charges	-	-	-	883,438	-	883,438	-
Restricted assets	-	-	331,299	1,674,715	15,907	2,021,921	-
Total current assets	<u>4,543,931</u>	<u>92,851</u>	<u>8,454,884</u>	<u>26,862,459</u>	<u>434,210</u>	<u>40,388,335</u>	<u>4,143,179</u>
Noncurrent assets							
Capital assets							
Non-depreciable	-	-	10,577,187	3,241,789	2,756,003	16,574,979	-
Depreciable (net)	<u>35,255</u>	<u>5,464,950</u>	<u>48,235,868</u>	<u>83,472,438</u>	<u>15,376,289</u>	<u>152,584,800</u>	<u>-</u>
Total noncurrent assets	<u>35,255</u>	<u>5,464,950</u>	<u>58,813,055</u>	<u>86,714,227</u>	<u>18,132,292</u>	<u>169,159,779</u>	<u>-</u>
Total assets	<u>4,579,186</u>	<u>5,557,801</u>	<u>67,267,939</u>	<u>113,576,686</u>	<u>18,566,502</u>	<u>209,548,114</u>	<u>4,143,179</u>
Liabilities							
Current liabilities							
Accounts payable	329,290	1,364	489,085	1,971,257	10,588	2,801,584	-
Accrued wages and benefits	-	26,080	98,772	44,446	13,575	182,873	-
Intergovernmental payable	-	-	105,671	6,929	-	112,600	-
Interest payable	-	-	-	609,029	-	609,029	-
Retainage payable	-	-	158,862	2,416,199	-	2,575,061	-
Deferred revenue	-	11,776	1,224,200	868,605	21,397	2,125,978	-
Matured debt principal payable	-	-	20,000	715,548	-	735,548	-
Liabilities payable from restricted assets	-	-	331,299	600	15,907	347,806	-
Claims payable	-	-	-	-	-	-	458,637
Compensated absences	-	11,540	78,021	45,687	15,899	151,147	-
Capital leases payable	-	-	68,243	36,328	5,906	110,477	-
Bonds, notes and loans payable	-	-	25,000	1,472,022	-	1,497,022	-
Total current liabilities	<u>329,290</u>	<u>50,760</u>	<u>2,599,153</u>	<u>8,186,650</u>	<u>83,272</u>	<u>11,249,125</u>	<u>458,637</u>
Noncurrent liabilities							
Landfill closure and postclosure care costs	1,839,604	-	-	-	-	1,839,604	-
Capital leases payable	-	-	310,753	159,051	14,922	484,726	-
Bonds, notes and loans payable	-	-	170,000	59,382,969	-	59,552,969	-
Total noncurrent liabilities	<u>1,839,604</u>	<u>-</u>	<u>480,753</u>	<u>59,542,020</u>	<u>14,922</u>	<u>61,877,299</u>	<u>-</u>
Total liabilities	<u>2,168,894</u>	<u>50,760</u>	<u>3,079,906</u>	<u>67,728,670</u>	<u>98,194</u>	<u>73,126,424</u>	<u>458,637</u>
Net assets							
Invested in capital assets, net of related debt	35,255	5,464,950	58,219,059	24,948,309	18,111,464	106,779,037	-
Unrestricted	<u>2,375,037</u>	<u>42,091</u>	<u>5,968,974</u>	<u>20,899,707</u>	<u>356,844</u>	<u>29,642,653</u>	<u>3,684,542</u>
Total net assets	<u>\$ 2,410,292</u>	<u>\$ 5,507,041</u>	<u>\$ 64,188,033</u>	<u>\$ 45,848,016</u>	<u>\$ 18,468,308</u>	<u>\$ 136,421,690</u>	<u>\$ 3,684,542</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Sanitary	Airport	Totals	Governmental Activities - Internal Service Funds
Operating revenues							
Charges for services	\$ 914,215	\$ 422,279	\$ 11,930,474	\$ 5,078,615	\$ 545,364	\$ 18,890,947	\$ -
Premiums	-	-	-	-	-	-	4,238,323
Total operating revenues	<u>914,215</u>	<u>422,279</u>	<u>11,930,474</u>	<u>5,078,615</u>	<u>545,364</u>	<u>18,890,947</u>	<u>4,238,323</u>
Operating expenses							
Costs of sales and services	432,722	1,038,459	7,719,678	3,674,565	792,819	13,658,243	-
Administration	-	-	-	-	-	-	164,864
Benefits	-	-	-	-	-	-	3,992,471
Premiums	-	-	-	-	-	-	234,214
Depreciation	<u>1,175</u>	<u>182,070</u>	<u>1,718,699</u>	<u>2,542,002</u>	<u>706,240</u>	<u>5,150,186</u>	-
Total operating expenses	<u>433,897</u>	<u>1,220,529</u>	<u>9,438,377</u>	<u>6,216,567</u>	<u>1,499,059</u>	<u>18,808,429</u>	<u>4,391,549</u>
Operating income (loss)	<u>480,318</u>	<u>(798,250)</u>	<u>2,492,097</u>	<u>(1,137,952)</u>	<u>(953,695)</u>	<u>82,518</u>	<u>(153,226)</u>
Nonoperating revenues (expenses)							
Taxes	-	-	1,992,909	-	-	1,992,909	-
Intergovernmental	-	-	1,308,406	-	52,250	1,360,656	-
Interest	104,554	-	114,452	477,462	-	696,468	120,472
Interest expense	-	-	(13,800)	(993,746)	-	(1,007,546)	-
Issuance costs	-	-	-	(98,632)	-	(98,632)	-
Miscellaneous revenues	<u>3,000</u>	-	<u>14,625</u>	<u>31,576</u>	-	<u>49,201</u>	<u>17,325</u>
Total nonoperating revenues (expenses)	<u>107,554</u>	<u>-</u>	<u>3,416,592</u>	<u>(583,340)</u>	<u>52,250</u>	<u>2,993,056</u>	<u>137,797</u>
Income (loss) before contributions and transfers	587,872	(798,250)	5,908,689	(1,721,292)	(901,445)	3,075,574	(15,429)
Capital contributions	-	-	4,151,130	5,409,796	1,142,744	10,703,670	-
Transfers in	-	650,000	48,874	2,000,000	666,139	3,365,013	-
Transfers out	<u>(19,950)</u>	<u>-</u>	<u>(2,866,128)</u>	<u>-</u>	<u>(65,800)</u>	<u>(2,951,878)</u>	<u>-</u>
Change in net assets	567,922	(148,250)	7,242,565	5,688,504	841,638	14,192,379	(15,429)
Total net assets, beginning of year	<u>1,842,370</u>	<u>5,655,291</u>	<u>56,945,468</u>	<u>40,159,512</u>	<u>17,626,670</u>	<u>122,229,311</u>	<u>3,699,971</u>
Total net assets, end of year	<u>\$ 2,410,292</u>	<u>\$ 5,507,041</u>	<u>\$ 64,188,033</u>	<u>\$ 45,848,016</u>	<u>\$ 18,468,308</u>	<u>\$ 136,421,690</u>	<u>\$ 3,684,542</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Sanitary	Airport	Totals	Governmental Activities - Internal Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 931,257	\$ 426,655	\$ 11,851,942	\$ 3,376,362	\$ 548,968	\$ 17,135,184	\$ 4,237,445
Payments to suppliers	(317,670)	(483,868)	(7,047,883)	(3,481,059)	(753,563)	(12,084,043)	(4,294,968)
Payments to employees	-	(578,263)	(1,807,689)	(896,162)	(295,115)	(3,577,229)	-
Other receipts (payments)	3,000	-	14,625	31,576	-	49,201	17,325
Customer deposits	-	-	4,219	-	292	4,511	-
Net cash flows from (used by) operating activities	<u>616,587</u>	<u>(635,476)</u>	<u>3,015,214</u>	<u>(969,283)</u>	<u>(499,418)</u>	<u>1,527,624</u>	<u>(40,198)</u>
Cash flows from noncapital financing activities							
Transfers in	-	650,000	48,874	2,000,000	666,139	3,365,013	-
Transfers out	(19,950)	-	(2,866,128)	-	(65,800)	(2,951,878)	-
Tax receipts	-	-	1,950,896	1,163	-	1,952,059	-
Intergovernmental agreements	-	-	118,293	-	52,250	170,543	-
Net cash flows from (used by) noncapital financing activities	<u>(19,950)</u>	<u>650,000</u>	<u>(748,065)</u>	<u>2,001,163</u>	<u>652,589</u>	<u>2,535,737</u>	<u>-</u>
Cash flows from capital and financing activities							
Proceeds from capital debt	-	-	-	29,730,063	-	29,730,063	-
Capital grants and contributions	-	-	-	5,409,796	1,442,185	6,851,981	-
Purchases of capital assets	-	-	(2,610,569)	(34,219,319)	(1,372,072)	(38,201,960)	-
Principal paid on capital debt	-	-	(42,975)	(5,780,201)	(5,933)	(5,829,109)	-
Interest paid on capital debt	-	-	(13,800)	(384,717)	-	(398,517)	-
Loan issuance costs	-	-	-	(516,166)	-	(516,166)	-
Net cash flows from (used by) capital and financing activities	<u>-</u>	<u>-</u>	<u>(2,667,344)</u>	<u>(5,760,544)</u>	<u>64,180</u>	<u>(8,363,708)</u>	<u>-</u>
Cash flows from investing activities							
Interest and dividends	<u>106,905</u>	<u>-</u>	<u>108,639</u>	<u>455,386</u>	<u>-</u>	<u>670,930</u>	<u>118,404</u>
Net cash flows from investing activities	<u>106,905</u>	<u>-</u>	<u>108,639</u>	<u>455,386</u>	<u>-</u>	<u>670,930</u>	<u>118,404</u>
Net change in cash and cash equivalents	703,542	14,524	(291,556)	(4,273,278)	217,351	(3,629,417)	78,206
Cash and cash equivalents, beginning of year	<u>3,564,102</u>	<u>67,666</u>	<u>5,232,969</u>	<u>16,019,352</u>	<u>60,526</u>	<u>24,944,615</u>	<u>3,995,447</u>
Cash and cash equivalents, end of year, (including \$331,299, \$1,674,715 and \$15,907 reported in restricted assets of the Irrigation and Drainage, Sanitary and Airport Funds, respectively)	<u>\$ 4,267,644</u>	<u>\$ 82,190</u>	<u>\$ 4,941,413</u>	<u>\$ 11,746,074</u>	<u>\$ 277,877</u>	<u>\$ 21,315,198</u>	<u>\$ 4,073,653</u>

(Continued)

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Refuse	Recreation / Aquatic Center	Irrigation and Drainage	Sanitary	Airport	Totals	Governmental Activities - Internal Service Funds
(Concluded)							
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 480,318	\$ (798,250)	\$ 2,492,097	\$ (1,137,952)	\$ (953,695)	\$ 82,518	\$ (153,226)
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:							
Depreciation expense	1,175	182,070	1,718,699	2,542,002	706,240	5,150,186	-
Other receipts (payments)	3,000	-	14,625	31,576	-	49,201	17,325
Change in assets/liabilities:							
Receivables, net	17,042	78	(94,072)	(1,724,163)	5,309	(1,795,806)	(878)
Inventories	-	(1,491)	-	-	-	(1,491)	-
Prepaid items	-	-	(23,144)	(4,490)	779	(26,855)	25,164
Accounts payable	20,305	(21,123)	(362,419)	(1,737,310)	(228,267)	(2,328,814)	(535)
Retainage payable	-	-	(782,027)	1,034,036	(30,114)	221,895	-
Intergovernmental payable	-	-	9,012	(719)	-	8,293	-
Accrued payroll and related benefits	-	(2,813)	19,333	2,229	357	19,106	-
Compensated absences	-	1,755	12,363	2,879	1,386	18,383	-
Deferred revenue	-	4,298	6,528	22,629	(1,705)	31,750	-
Customer deposits	-	-	4,219	-	292	4,511	-
Claims payable	-	-	-	-	-	-	71,952
Landfill closure and postclosure care costs	<u>94,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,747</u>	<u>-</u>
Net cash from (used by) operating activities	<u>\$ 616,587</u>	<u>\$ (635,476)</u>	<u>\$ 3,015,214</u>	<u>\$ (969,283)</u>	<u>\$ (499,418)</u>	<u>\$ 1,527,624</u>	<u>\$ (40,198)</u>

Noncash Investing, Capital and Financing Activities

The City transferred \$4,151,130 of capital assets from governmental activities to the Irrigation and Drainage Fund during the year.
Loan issuance costs of \$98,632 were amortized in the Sanitary Fund during the year.

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Paid-On-Call Firefighters' Pension
Assets	
Cash and equivalents	\$ 393,539
Receivables, net	
Interest receivable	<u>1,337</u>
Total assets	<u>394,876</u>
Liabilities	
Accounts payable	<u>1,312</u>
Total liabilities	<u>1,312</u>
Net Assets	
Held in trust	<u>\$ 393,564</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE HAVASU CITY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Paid-On-Call Firefighters' Pension
Additions	
Contributions	
Employer	\$ 4,676
Employee	<u>4,676</u>
Total contributions	<u>9,352</u>
Investment earnings	
Interest	<u>26,272</u>
Total additions	<u>35,624</u>
Deductions	
Administration	8,780
Benefits	<u>12,238</u>
Total deductions	<u>21,018</u>
Change in net assets	14,606
Net assets, beginning of year	<u>378,958</u>
Net assets, end of year	<u>\$ 393,564</u>

The notes to the basic financial statements are an integral part of this statement.

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LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Havasu City, Arizona (City) was incorporated in 1978. The City operates under a council-manager form of government and provides services as authorized by Title 9, Arizona Revised Statutes including: public safety (police and fire), highway and streets, culture and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of Lake Havasu City, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. Reporting Entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

The City has blended the following entities into its Comprehensive Annual Financial Report:

1. Irrigation and Drainage District (District) - The City has a legally mandated status as Trustee over the Irrigation and Drainage District as a result of the City's alternative method of incorporation in 1978 under a special Arizona law. The District was established in 1963 to build infrastructure and construct a water system. The members of the City Council are the District's board members and have the ability to significantly influence operations.
2. Lake Havasu City Municipal Property Corporation - The Lake Havasu City Municipal Property Corporation is a nonprofit corporation organized under the laws of the State of Arizona to assist the City in financing its capital improvement projects.

Separate financial statements of the component units are not prepared.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *HURF Fund* accounts for the operations of the street maintenance department. Financing is provided by the City's share of gasoline taxes.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The government reports the following major proprietary funds:

The *Refuse Fund* accounts for the operation of the City's landfill.

The *Recreation/Aquatic Center Fund* accounts for the operation of the City's aquatic center.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

The *Irrigation and Drainage Fund* accounts for the activities of the Irrigation and Drainage District, a blended component unit of the City. The District operates the City's water system.

The *Sanitary Fund* accounts for the activities of the City's sewer system.

The *Airport Fund* accounts for the activities of the City's airport.

Additionally, the government reports the following fund types:

The *Internal Service Fund* accounts for the City's limited risk self-insurance program for employee and dependant medical care.

The *Pension Trust Fund* accounts for the activities of the Paid-on-call Firefighters Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments held by the State Treasurer and government securities held by Wells Fargo Brokerage Services in a Safekeeping Account.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the month-end cash balances. Arizona Revised Statute, Title 35, allows public monies to be invested with maturities of five years for non-operating funds and a duration of no longer than three years for operating funds. The City's investment policy is empowered by state statute to invest in demand deposits, obligations of U.S. government, its instrumentalities, A-1/P-1 rated commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State of Arizona's Local Government Investment Pool. The primary objectives in priority order of the City's investment activities shall be safety, liquidity, and return on investments. Investments are stated at fair value.

2. Receivables

All trade and property taxes receivables are shown net of an allowance for uncollectibles.

Mohave County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Short-term Interfund Receivables/Payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets, which include land, improvements to land, buildings and building improvements, machinery, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Improvements other than buildings	20 years
Infrastructure	40-50 years
Furniture, machinery and equipment	3-10 years
Vehicles	3-10 years

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Claims Incurred But Not Reported

The estimated liability for claims incurred but not reported which is accrued in the Internal Service Fund is based on historic monthly claims paid factored by a percentage of completion by month for the preceding twelve months.

10. Net Assets

In the government-wide and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates commission provide the City with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described above of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The Finance Director may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures (see Note 4.C. for exception).

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed by the City during the year. However, at year-end the City encumbers the amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining unencumbered balances lapse, and are reappropriated in the following year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2005 consist of the following:

Deposits	
Cash on hand	\$ 10,100
Cash in bank	1,115,785
Investments	
Pension Trust Mutual Fund	376,940
Investment Sweep account	795,924
Cash on deposit with County Treasurer	124,943
State Treasurer's Investment Pool	24,500,000
U.S. Government securities	<u>18,654,481</u>
Total deposits and investments	45,578,173
Restricted assets	(2,021,921)
Fiduciary Fund cash and equivalents	<u>(393,539)</u>
Total cash and equivalents	<u>\$ 43,162,713</u>

Deposits - The City's deposits at June 30, 2005, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

Investments - The City Investment Policy adopted on July 10, 1996 authorizes the City to invest in obligations of the United States Treasury and United States Agencies, certificates of deposit in eligible depositories, Banker's Acceptances, repurchase agreements, money market funds, or any obligations guaranteed by the United States of America or any of its agencies. The City is also empowered to invest, by resolution, in the State of Arizona Local Government Investment Pool. The City's investment policy has been awarded the Certificate of Excellence by the Municipal Treasurer's Association (MTA) of the United States and Canada.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

The City's investment in U.S. Government securities was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The remaining investments of the City were not subject to credit risk.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years.

The City's investments at June 30, 2005 consist of the following:

Investment Type	Investment Maturities (in years)			
	Amount	Less than 1	1-2	2-3
Pension Trust Mutual Fund	\$ 376,940	\$ 376,940	\$ -	\$ -
Investment Sweep Account	795,924	795,924	-	-
Cash on deposit with the County Treasurer	124,943	124,943	-	-
State Treasurer's Investment Pool	24,500,000	24,500,000	-	-
U.S. Government Securities	<u>18,654,481</u>	<u>5,004,481</u>	<u>9,650,000</u>	<u>4,000,000</u>
Total Investments	<u>\$ 44,452,288</u>	<u>\$ 30,802,288</u>	<u>\$ 9,650,000</u>	<u>\$ 4,000,000</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

2. Restricted Assets

Restricted assets in the proprietary funds at June 30, 2005 consisted of the following:

Customer deposits	\$ 347,806
Future debt service	<u>1,674,115</u>
	<u>\$ 2,021,921</u>

3. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 113,414	\$ -
Miscellaneous (General Fund)	-	41,848
Delinquent property taxes receivable (Nonmajor Governmental Funds)	10,172	-
Grants (Nonmajor Governmental Funds)	-	774
Special assessments receivable (Debt Service Fund)	<u>655,537</u>	<u>-</u>
Total deferred revenue for governmental funds	<u>\$ 779,123</u>	<u>\$ 42,622</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

4. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,483,770	\$ -	\$ -	\$ 10,483,770
Construction in progress	<u>3,173,949</u>	<u>2,465,940</u>	<u>(2,989,551)</u>	<u>2,650,338</u>
Total capital assets, not being depreciated	<u>13,657,719</u>	<u>2,465,940</u>	<u>(2,989,551)</u>	<u>13,134,108</u>
Capital assets being depreciated:				
Buildings and improvements	20,222,314	183,097	-	20,405,411
Improvements to land	6,168,156	-	-	6,168,156
Infrastructure	60,592,834	2,837,255	-	63,430,089
Furniture, machinery and equipment	<u>13,740,386</u>	<u>2,870,709</u>	<u>(1,230,944)</u>	<u>15,380,151</u>
Total capital assets being depreciated	<u>100,723,690</u>	<u>5,891,061</u>	<u>(1,230,944)</u>	<u>105,383,807</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,625,244)	(520,986)	-	(5,146,230)
Improvements to land	(1,779,003)	(164,810)	-	(1,943,813)
Infrastructure	(39,260,018)	(1,741,612)	-	(41,001,630)
Furniture, machinery and equipment	<u>(10,740,591)</u>	<u>(1,426,474)</u>	<u>1,218,378</u>	<u>(10,948,687)</u>
Total accumulated depreciation	<u>(56,404,856)</u>	<u>(3,853,882)</u>	<u>1,218,378</u>	<u>(59,040,360)</u>
Total capital assets, being depreciated, net	<u>44,318,834</u>	<u>2,037,179</u>	<u>(12,566)</u>	<u>46,343,447</u>
Governmental activities capital assets, net	<u>\$ 57,976,553</u>	<u>\$ 4,503,119</u>	<u>\$ (3,002,117)</u>	<u>\$ 59,477,555</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 3,002,029	\$ -	\$ -	\$ 3,002,029
Water allocation rights	3,113,656	4,151,130	-	7,264,786
Construction in progress	<u>26,993,727</u>	<u>38,213,177</u>	<u>(58,898,740)</u>	<u>6,308,164</u>
Total capital assets, not being depreciated	<u>33,109,412</u>	<u>42,364,307</u>	<u>(58,898,740)</u>	<u>16,574,979</u>
Capital assets being depreciated:				
Buildings and improvements	8,177,634	23,413,686	-	31,591,320
Other improvements	118,724,690	35,508,409	-	154,233,099
Machinery, equipment and vehicles	<u>3,580,999</u>	<u>589,833</u>	<u>(72,883)</u>	<u>4,097,949</u>
Total capital assets being depreciated	<u>130,483,323</u>	<u>59,511,928</u>	<u>(72,883)</u>	<u>189,922,368</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,863,312)	(789,966)	-	(2,653,278)
Other improvements	(27,691,629)	(3,958,172)	-	(31,649,801)
Machinery, equipment and vehicles	<u>(2,705,324)</u>	<u>(402,048)</u>	<u>72,883</u>	<u>(3,034,489)</u>
Total accumulated depreciation	<u>(32,260,265)</u>	<u>(5,150,186)</u>	<u>72,883</u>	<u>(37,337,568)</u>
Total capital assets, being depreciated, net	<u>98,223,058</u>	<u>54,361,742</u>	<u>-</u>	<u>152,584,800</u>
Business-type activities capital assets, net	<u>\$ 131,332,470</u>	<u>\$ 96,726,049</u>	<u>\$ (58,898,740)</u>	<u>\$ 169,159,779</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 532,708
Public safety	1,106,618
Highways and streets	1,796,013
Culture and recreation	294,114
Transportation services	123,768
Tourism and promotion	<u>661</u>

Total depreciation expense-governmental activities \$ 3,853,882

Business-type activities:

Refuse	\$ 1,175
Recreation/Aquatic Center	182,070
Irrigation and Drainage	1,718,699
Sanitary	2,542,002
Airport	<u>706,240</u>

Total depreciation expense-business-type activities \$ 5,150,186

5. Construction Commitments

The City has active construction projects at June 30, 2005. The projects include various street and park projects, a water treatment facility and a wastewater system expansion. At fiscal year end the City's commitments with contractors were as follows:

<u>Governmental Activities</u>		
<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Streets	\$ 1,039,330	\$ 101,137
Municipal facilities	-	47,945
Parks	976,558	193,364
Fire	<u>-</u>	<u>35,693</u>
Total governmental activities	<u>\$ 2,015,888</u>	<u>\$ 378,139</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

<u>Business-type Activities</u>		
<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water treatment facility	\$ 27,363,806	\$ 1,182,028
Wastewater system expansion	<u>34,444,038</u>	<u>19,776,296</u>
Total business-type activities	<u>\$ 61,807,844</u>	<u>\$ 20,958,324</u>

B. Interfund Receivables, Payables and Transfers

As of June 30, 2005 interfund receivable and payables were as follows:

<u>Due To</u>	<u>Due From</u>
	<u>Nonmajor Governmental Funds</u>
General Fund	<u>\$ 388,473</u>

The above interfund receivables and payables are due to the Transit and CDBG funds having intergovernmental receivables at year-end and the Lottery Fund having a deficit fund balance.

Interfund transfers for the year ended June 30, 2005 consisted of the following:

<u>Transfers to</u>	<u>Transfers From</u>						<u>Total</u>
	<u>General Fund</u>	<u>HURF Fund</u>	<u>Refuse</u>	<u>Irrigation & Drainage</u>	<u>Airport</u>	<u>Nonmajor Governmental Funds</u>	
HURF	\$ 850,000	\$ -	\$ -	\$ 294,143	\$ -	\$ -	\$ 1,144,143
Debt Service	2,495,850	-	-	938,350	65,800	-	3,500,000
Capital Projects	5,119,865	135,245	19,950	1,633,635	-	-	6,908,695
Recreation/Aquatic Center	650,000	-	-	-	-	-	650,000
Irrigation & Drainage	48,874	-	-	-	-	-	48,874
Sanitary	2,000,000	-	-	-	-	-	2,000,000
Airport	612,139	-	-	-	-	54,000	666,139
Nonmajor governmental	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>850,000</u>
	<u>\$ 12,476,728</u>	<u>\$ 135,245</u>	<u>\$ 19,950</u>	<u>\$ 2,866,128</u>	<u>\$ 65,800</u>	<u>\$ 204,000</u>	<u>\$ 15,767,851</u>

Transfers were made for general operating purposes and to fund capital projects.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

C. Obligations Under Leases

Capital Leases

The City has entered into lease agreements as a lessee for financing the acquisition of equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of their future minimum lease payments as of the inception date providing they meet the capitalization threshold.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Machinery and equipment	\$ 2,643,037	\$ 603,174
Less: accumulated depreciation	<u>(506,719)</u>	<u>(115,545)</u>
Total	<u>\$ 2,136,318</u>	<u>\$ 487,629</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$ 606,760	\$ 127,563
2007	594,587	124,796
2008	510,568	124,464
2009	492,765	124,464
2010	284,245	100,971
2011-2015	<u>274,602</u>	<u>51,660</u>
Total minimum lease payments	2,763,527	653,918
Less: amount representing interest	<u>(245,141)</u>	<u>(58,715)</u>
Present value of minimum lease payments	<u>\$ 2,518,386</u>	<u>\$ 595,203</u>

D. Long-term Obligations

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The City has also issued debt to refund earlier obligations with higher interest rates. The debt is being repaid by the Debt Service, Irrigation and Drainage and Sanitary Funds. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

Special assessment districts are created only by petition of the City Council by property owners within the District areas. The McCulloch Boulevard Streetscape Improvement District was created so the City could fund the improvements. Each of the commercial property owners within the District has been assessed taxes by the City for repayment of the bond. In case of default, the City has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received.

Changes in long-term obligations for the year ended June 30, 2005 are as follows:

	<u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds and loans payable:					
Revenue bonds	\$ 13,345,000	\$ -	\$ (3,155,000)	\$ 10,190,000	\$ 3,290,000
Special assessment debt with government commitment	<u>775,000</u>	<u>-</u>	<u>(80,000)</u>	<u>695,000</u>	<u>85,000</u>
Total bonds and loans payable	<u>14,120,000</u>	<u>-</u>	<u>(3,235,000)</u>	<u>10,885,000</u>	<u>3,375,000</u>
Other liabilities:					
Capital leases	113,006	2,902,599	(497,219)	2,518,386	523,005
Compensated absences	<u>1,236,235</u>	<u>1,562,438</u>	<u>(1,441,198)</u>	<u>1,357,475</u>	<u>1,340,490</u>
Governmental activities long-term liabilities	<u>\$ 15,469,241</u>	<u>\$ 4,465,037</u>	<u>\$ (5,173,417)</u>	<u>\$ 14,760,861</u>	<u>\$ 5,238,495</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 215,000	\$ -	\$ (20,000)	\$ 195,000	\$ 25,000
WIFA notes payable	<u>32,142,869</u>	<u>35,192,670</u>	<u>(6,480,548)</u>	<u>60,854,991</u>	<u>1,472,022</u>
Total bonds and notes payable	<u>32,357,869</u>	<u>35,192,670</u>	<u>(6,500,548)</u>	<u>61,049,991</u>	<u>1,497,022</u>
Other liabilities:					
Capital leases	14,907	624,405	(44,109)	595,203	110,477
Compensated absences	132,764	179,686	(161,303)	151,147	151,147
Landfill closure and postclosure care costs	<u>1,744,857</u>	<u>94,747</u>	<u>-</u>	<u>1,839,604</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 34,250,397</u>	<u>\$ 36,091,508</u>	<u>\$ (6,705,960)</u>	<u>\$ 63,635,945</u>	<u>\$ 1,758,646</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

Debt service requirements on long-term debt at June 30, 2005 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,375,000	\$ 447,941	\$ 1,497,022	\$ 1,804,172
2007	3,480,000	311,856	5,332,724	1,755,892
2008	3,605,000	168,126	6,919,398	1,660,058
2009	95,000	19,347	2,027,072	1,600,694
2010	105,000	14,222	2,110,778	1,535,416
2011-15	225,000	11,660	11,797,951	6,615,369
2016-20	-	-	17,595,438	4,402,030
2021-24	<u>-</u>	<u>-</u>	<u>16,079,069</u>	<u>1,257,721</u>
	<u>\$ 10,885,000</u>	<u>\$ 973,152</u>	<u>\$ 63,359,452</u>	<u>\$ 20,631,352</u>

The \$63,359,452 principal amount above includes \$2,309,461 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2005.

E. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that Lake Havasu City, Arizona place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,839,604 as of June 30, 2005, which is based on 35.7% usage of the landfill. It is estimated that an additional \$3,316,170 will be recognized as closure and postclosure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2040). The estimated total current cost of the landfill closure and postclosure care (\$5,155,774) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2005. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. No assets have been restricted for the payment of closure and postclosure costs as of June 30, 2005.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - OTHER INFORMATION

A. Risk Management

Lake Havasu City, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Arizona State Workers Compensation Insurance Fund for potential worker related accidents.

During fiscal year 1995, the City established the Lake Havasu City Employee Benefit Plan (an internal service fund) to account for and finance its uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents. Under this program, the Employee Benefit Plan provides coverage for up to \$50,000 for each insured's health care claim, not to exceed a maximum aggregate annual stop loss of \$1,000,000 for the year ended June 30, 2005. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss. Settled claims were equal to the aggregate stop loss for the year ended June 30, 2005. Settlements did not exceed insurance coverage for each of the past three fiscal years.

All funds of the City participate in the program and make payments to the Employee Benefit Plan based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The claims liability reported at June 30, 2005 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount for the years ended June 30, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Claims payable, beginning of year	\$ 386,685	\$ 465,524
Current year claims and changes in estimates	3,992,471	3,309,786
Claim payments	<u>(3,920,519)</u>	<u>(3,388,625)</u>
Claims payable, end of year	\$ <u>458,637</u>	\$ <u>386,685</u>

B. Contingent Liabilities

Lawsuits - The City is a defendant in various lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City's attorney such matters will not have a material adverse effect on the City's financial position at June 30, 2005.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

C. Budgetary Basis of Accounting

The adopted budget of the City was prepared on a basis consistent with U.S. generally accepted accounting principles, with one exception. The present value of net minimum capital lease payments was not budgeted as General and HURF Fund expenditures and other financing sources. Consequently, the following adjustments are necessary to present actual expenditures, other financing sources and fund balances at the end of the year on a budgetary basis in order to provide a meaningful comparison.

	<u>General Fund</u>		
	<u>Total</u>	<u>Total Other</u>	<u>Fund Balances</u>
	<u>Expenditures</u>	<u>Financing</u>	<u>End of Year</u>
		<u>Sources</u>	
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 28,496,086	\$ (10,552,025)	\$ 16,414,796
Present value of net minimum capital lease payments	<u>(1,504,984)</u>	<u>(1,924,703)</u>	<u>(419,719)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual - General Fund	\$ <u>26,991,102</u>	\$ <u>(12,476,728)</u>	\$ <u>15,995,077</u>

The City had not expended \$419,719 of its lease proceeds in the General Fund as of June 30, 2005.

	<u>HURF Fund</u>	
	<u>Total</u>	<u>Total Other</u>
	<u>Expenditures</u>	<u>Financing</u>
		<u>Sources</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,444,010	\$ 1,986,794
Present value of net minimum capital lease payments	<u>(977,896)</u>	<u>(977,896)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual - HURF Fund	\$ <u>5,466,114</u>	\$ <u>1,008,898</u>

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

D. Subsequent Events

Subsequent to June 30, 2005, the Greater Arizona Development Authority issued Infrastructure Revenue Bonds, Series 2005B of which \$58,070,000 was loaned to Lake Havasu City, Arizona for the purpose of sewer expansion.

E. Retirement Plans

Arizona State Retirement System

Plan Description - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the year ended June 30, 2005, active plan members and the City were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.20 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The City's contributions to the System for the years ended June 30, 2005, 2004, and 2003 were \$882,134, \$814,549, and \$300,377, respectively, which were equal to the required contributions for the year.

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement, death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2005

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 9.6 percent of annual covered payroll for police and 8.2 percent of annual covered payroll for fire.

Annual Pension Cost - During the year ended June 30, 2005, Lake Havasu City, Arizona's annual pension cost of \$382,525 for police and \$224,593 for fire was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2005 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually, (b) projected salary increases of 6.5% (including inflation at 5.5%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the City's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2003	\$ 168,161	100.0 %	\$ -
2004	339,437	100.0	-
2005	382,525	100.0	-

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2005

Fire

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 162,991	100.0 %	\$ -
2004	168,688	100.0	-
2005	224,593	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on pages 70 - 71.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Paid-on-call (POC) Firefighters Pension Fund

The following brief description of the Paid-on-call Firefighters Pension Fund (Fund) is provided for general information purposes only. The Fund is a defined contribution pension plan. Reference is made to the Fund agreement for more complete information.

General - The Fund is a single-employer defined contribution pension plan which covers all paid on-call firefighters of Lake Havasu City, Arizona's Fire Department (the "Employer") who have completed one year of service. The Fund is a voluntary savings fund.

The Fund is comprised of employees' voluntary after-tax salary reductions. Pursuant to State Statute, the employer makes a contribution in an amount of 5 percent of gross wages of the employee plus the paid on-call Firefighter's share of the premium tax remitted to the City by the State of Arizona. The employer's total current year payroll for all employees was \$25,080,049, and its current year covered payroll for eligible employees covered by the Plan was \$93,520. Contributions required and made by the employer during 2005 totaled \$4,676, representing 5 percent of the employer's current year covered payroll.

For each participant, accounts are maintained to record all allocations made for the employee's contribution, the employer's contribution, and any forfeited employer contributions. The benefit to which a participant is entitled is the total benefit which can be provided from the combined amount of these participant accounts. Employee contributions to the Plan are 100 percent vested and nonforfeitable at all times. Distribution of fund assets occurs upon participant termination from the employer, disablement, retirement or death. Currently, fund participants include thirteen nonvested employees, four partially vested employees, and two fully vested employees.

LAKE HAVASU CITY, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005

Plan Administration - The Plan is administered by an Advisory Committee appointed by the employer. The Advisory Committee has hired an investment manager to oversee the investing activities of the fund. Expenses incident to the operation of the fund may be paid by the fund or directly by the employer.

Required Supplementary Information

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS

Lake Havasu City Police

Fiscal Year Ended June 30,	Annual Required Contribution*	Percent Contributed
1996	\$ 209,235	100.0 %
1997	236,818	100.0
1998	234,253	100.0
1999	186,403	100.0
2000	161,626	100.0
2001	269,305	100.0
2002	264,247	100.0
2003	168,161	100.0
2004	339,437	100.0
2005	382,525	100.0

* Includes insurance premium tax, where applicable.

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
1996	\$ 5,420,624	\$ 6,235,708	86.9 %	\$ (815,084)	\$ 2,499,355	(32.6)%
1997	6,743,476	6,690,327	100.8	53,149	2,562,067	2.1
1998	7,703,230	7,158,133	107.6	545,097	2,604,029	20.9
1999	9,330,457	8,634,487	108.1	695,970	2,833,774	24.6
2000	11,071,962	9,896,699	111.9	1,175,263	3,045,091	38.6
2001	12,480,272	9,800,377	127.3	2,679,895	3,224,754	83.1
2002	12,826,024	11,742,345	109.2	1,083,679	3,505,672	30.9
2003	13,318,167	13,549,408	98.3	(231,241)	3,669,313	(6.3)
2004	13,756,747	15,525,166	88.6	(1,768,419)	3,939,418	(44.9)
2005	14,253,619	17,484,339	81.5	(3,230,720)	4,000,526	(80.8)

LAKE HAVASU CITY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEMS
SCHEDULE OF FUNDING PROGRESS

Lake Havasu City Fire Fighters

Fiscal Year Ended June 30,	Annual Required Contribution*	Percent Contributed
1996	\$ 173,474	100.0 %
1997	230,650	100.0
1998	134,469	100.0
1999	97,030	100.0
2000	113,069	100.0
2001	132,722	100.0
2002	113,392	100.0
2003	162,991	100.0
2004	168,688	100.0
2005	224,593	100.0

* Includes insurance premium tax, where applicable.

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
1996	\$ 9,728,065	\$ 9,443,121	103.0 %	\$ 284,944	\$ 2,232,901	12.8 %
1997	11,581,914	9,874,476	117.3	1,707,438	2,084,942	81.9
1998	12,735,989	10,749,428	118.5	1,986,561	2,218,509	89.5
1999	14,919,472	12,183,916	122.5	2,735,556	2,398,578	114.0
2000	17,370,416	13,553,542	128.2	3,816,874	2,631,493	145.0
2001	19,317,366	13,451,368	143.6	5,865,998	2,602,922	225.4
2002	19,571,310	16,119,443	121.4	3,451,867	2,965,066	116.4
2003	20,367,972	18,239,476	111.7	2,128,496	2,810,032	75.7
2004	20,671,827	20,572,333	100.5	99,494	2,709,120	3.7
2005	21,425,600	23,369,393	91.7	(1,943,793)	2,729,408	(71.2)

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**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Local Transportation Assistance Fund (Lottery) - To account for the funds provided by the City's portion of the State Lottery Fund.

Tourism/Economic Development Fund - To account for expenditures made to promote, develop and enhance the tourism industry and economic development in the City. Financing is from a 3% citywide "Bed Tax" imposed on local hotel/motel establishments and a 1% restaurant and bar tax.

City Transit Fund - To account for federal grants and City contributions to provide a low-cost, door-to-door demand response transportation system for the general public.

JCEF/RICO/Grants Fund - To account for the activity of the Judicial Collection Enhancement Fund, Racketeering Influenced Corrupt Organizations Fund and miscellaneous federal and state grants.

Community Development Block Grant (CDBG)/State Home Fund - To account for Community Development Block Grants and State Home Fund monies, which are federal and state funds to be used for the development of viable urban communities, decent housing and a suitable living environment, and expanded economic opportunities.

Improvement District No. 1 Fund - To account for maintenance and improvements to the gas lights along the residential area of London Bridge Golf Course. Financing is provided through the assessment of property taxes.

Improvement District No. 2 Fund - To account for maintenance and improvements to the London Bridge shopping area. Financing is provided through the assessment of property taxes.

Improvement District No. 3 Fund - To account for maintenance and improvements to the gas lights and irrigation service in the Lakeview Mobile Park. Financing is provided through the assessment of property taxes.

Improvement District No. 4 Fund - To account for maintenance and improvements to the gas lights, utility service and median center of the lower McCulloch Boulevard Business District. Financing is provided through the assessment of property taxes.

Parks and Recreation (P&R) Memorial Tree Trust Fund - To account for donations from individuals for memorial trees.

LAKE HAVASU CITY, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue							
	<u>Lottery</u>	<u>Tourism / Economic Development</u>	<u>City Transit</u>	<u>JCEF/RICO/ Grants</u>	<u>CDBG/Home</u>	<u>Improvement District No. 1</u>	<u>Improvement District No. 2</u>	<u>Improvement District No. 3</u>
Assets								
Cash and equivalents	\$ -	\$ 243,540	\$ 194	\$ 330,168	\$ -	\$ 8,801	\$ 9,042	\$ 9,550
Receivables, net								
Accounts receivable	-	8,044	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	4,829	4,755	1,624
Intergovernmental receivable	-	71,130	484,046	136,463	170,856	949	44	140
Prepaid items	-	-	2,797	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 322,714</u>	<u>\$ 487,037</u>	<u>\$ 466,631</u>	<u>\$ 170,856</u>	<u>\$ 14,579</u>	<u>\$ 13,841</u>	<u>\$ 11,314</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 48	\$ 7,255	\$ 175,625	\$ 31	\$ -	\$ 500	\$ -
Accrued wages and benefits	-	-	57,944	1,438	-	-	-	-
Intergovernmental payable	-	-	-	2,253	-	-	-	-
Due to other funds	3,266	-	214,382	-	170,825	-	-	-
Deferred revenue	-	-	-	774	-	3,580	4,511	1,385
Total liabilities	<u>3,266</u>	<u>48</u>	<u>279,581</u>	<u>180,090</u>	<u>170,856</u>	<u>3,580</u>	<u>5,011</u>	<u>1,385</u>
Fund balances								
Reserved for prepaid items	-	-	2,797	-	-	-	-	-
Unreserved	<u>(3,266)</u>	<u>322,666</u>	<u>204,659</u>	<u>286,541</u>	<u>-</u>	<u>10,999</u>	<u>8,830</u>	<u>9,929</u>
Total fund balances	<u>(3,266)</u>	<u>322,666</u>	<u>207,456</u>	<u>286,541</u>	<u>-</u>	<u>10,999</u>	<u>8,830</u>	<u>9,929</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 322,714</u>	<u>\$ 487,037</u>	<u>\$ 466,631</u>	<u>\$ 170,856</u>	<u>\$ 14,579</u>	<u>\$ 13,841</u>	<u>\$ 11,314</u>

Funds		
Improvement District No. 4	P & R Memorial Tree Trust	Total Nonmajor Governmental Funds
\$ 7,393	\$ 7,990	\$ 616,678
-	-	8,044
1,748	-	12,956
552	-	864,180
-	-	2,797
<u>\$ 9,693</u>	<u>\$ 7,990</u>	<u>\$ 1,504,655</u>
\$ -	\$ -	\$ 183,459
-	-	59,382
-	-	2,253
-	-	388,473
<u>696</u>	<u>-</u>	<u>10,946</u>
<u>696</u>	<u>-</u>	<u>644,513</u>
-	-	2,797
<u>8,997</u>	<u>7,990</u>	<u>857,345</u>
<u>8,997</u>	<u>7,990</u>	<u>860,142</u>
<u>\$ 9,693</u>	<u>\$ 7,990</u>	<u>\$ 1,504,655</u>

LAKE HAVASU CITY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue							
	Lottery	Tourism / Economic Development	City Transit	JCEF/RICO/ Grants	CDBG/Home	Improvement District No. 1	Improvement District No. 2	Improvement District No. 3
Revenues								
Taxes								
Sales taxes	\$ -	\$ 1,445,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	102,106	21,424	21,311
Intergovernmental	250,591	-	636,824	269,367	520,285	-	-	-
Fines and forfeitures	-	-	-	94,436	-	-	-	-
Charges for services	-	-	355,044	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	34	-	-	-	-
Other	-	-	12,266	5	-	-	-	-
Total revenues	<u>250,591</u>	<u>1,445,605</u>	<u>1,004,134</u>	<u>363,842</u>	<u>520,285</u>	<u>102,106</u>	<u>21,424</u>	<u>21,311</u>
Expenditures								
Current								
General government	-	-	-	104,840	520,285	81,154	17,198	17,267
Public safety	-	-	-	225,562	-	-	-	-
Highways and streets	57,659	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Tourism and promotion	-	1,397,567	-	-	-	-	-	-
Transportation services	-	-	1,666,250	558	-	-	-	-
Total expenditures	<u>57,659</u>	<u>1,397,567</u>	<u>1,666,250</u>	<u>330,960</u>	<u>520,285</u>	<u>81,154</u>	<u>17,198</u>	<u>17,267</u>
Excess (deficiency) of revenues over expenditures	<u>192,932</u>	<u>48,038</u>	<u>(662,116)</u>	<u>32,882</u>	<u>-</u>	<u>20,952</u>	<u>4,226</u>	<u>4,044</u>
Other financing sources (uses)								
Transfers in	-	-	850,000	-	-	-	-	-
Transfers out	<u>(204,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(204,000)</u>	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(11,068)	48,038	187,884	32,882	-	20,952	4,226	4,044
Fund balances, beginning of year	<u>7,802</u>	<u>274,628</u>	<u>19,572</u>	<u>253,659</u>	<u>-</u>	<u>(9,953)</u>	<u>4,604</u>	<u>5,885</u>
Fund balances, end of year	<u>\$ (3,266)</u>	<u>\$ 322,666</u>	<u>\$ 207,456</u>	<u>\$ 286,541</u>	<u>\$ -</u>	<u>\$ 10,999</u>	<u>\$ 8,830</u>	<u>\$ 9,929</u>

Funds		
Improvement District No. 4	P & R Memorial Tree Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,445,605
61,767	-	206,608
-	-	1,677,067
-	-	94,436
-	-	355,044
-	12,250	12,250
-	-	34
-	-	12,271
<u>61,767</u>	<u>12,250</u>	<u>3,803,315</u>
58,246	-	798,990
-	-	225,562
-	-	57,659
-	8,276	8,276
-	-	1,397,567
-	-	1,666,808
<u>58,246</u>	<u>8,276</u>	<u>4,154,862</u>
<u>3,521</u>	<u>3,974</u>	<u>(351,547)</u>
-	-	850,000
-	-	(204,000)
-	-	646,000
3,521	3,974	294,453
<u>5,476</u>	<u>4,016</u>	<u>565,689</u>
<u>\$ 8,997</u>	<u>\$ 7,990</u>	<u>\$ 860,142</u>

LAKE HAVASU CITY, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Special assessments	\$ 117,669	\$ 181,027	\$ 63,358
Investment earnings	3,000	1,965	(1,035)
Total revenues	<u>120,669</u>	<u>182,992</u>	<u>62,323</u>
Expenditures			
Debt Service			
Principal retirement	4,215,000	3,235,000	980,000
Interest on long-term debt	<u>581,369</u>	<u>581,320</u>	<u>49</u>
Total expenditures	<u>4,796,369</u>	<u>3,816,320</u>	<u>980,049</u>
Excess (deficiency) of revenues over expenditures	<u>(4,675,700)</u>	<u>(3,633,328)</u>	<u>1,042,372</u>
Other financing sources (uses)			
Transfers in	<u>4,480,000</u>	<u>3,500,000</u>	<u>(980,000)</u>
Total other financing sources (uses)	<u>4,480,000</u>	<u>3,500,000</u>	<u>(980,000)</u>
Net change in fund balances	(195,700)	(133,328)	62,372
Fund balances, beginning of year	<u>1,043,987</u>	<u>1,043,066</u>	<u>(921)</u>
Fund balances, end of year	<u>\$ 848,287</u>	<u>\$ 909,738</u>	<u>\$ 61,451</u>

LAKE HAVASU CITY, ARIZONA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 1,345,225	\$ 1,345,225	\$ 129,178	\$ (1,216,047)
Contributions and donations	-	-	250	250
Other	-	-	23,038	23,038
Total revenues	<u>1,345,225</u>	<u>1,345,225</u>	<u>152,466</u>	<u>(1,192,759)</u>
Expenditures				
Capital outlay	<u>24,458,426</u>	<u>24,513,123</u>	<u>6,737,122</u>	<u>17,776,001</u>
Total expenditures	<u>24,458,426</u>	<u>24,513,123</u>	<u>6,737,122</u>	<u>17,776,001</u>
Excess (deficiency) of revenues over expenditures	<u>(23,113,201)</u>	<u>(23,167,898)</u>	<u>(6,584,656)</u>	<u>16,583,242</u>
Other financing sources (uses)				
Transfers in	13,360,594	13,360,594	6,908,695	(6,451,899)
Transfers out	(50,500)	(50,500)	-	50,500
Proceeds from capital lease	<u>7,806,500</u>	<u>7,806,500</u>	-	<u>(7,806,500)</u>
Total other financing sources (uses)	<u>21,116,594</u>	<u>21,116,594</u>	<u>6,908,695</u>	<u>(14,207,899)</u>
Net change in fund balances	(1,996,607)	(2,051,304)	324,039	2,375,343
Fund balances, beginning of year	<u>5,909,017</u>	<u>5,909,017</u>	<u>4,252,007</u>	<u>(1,657,010)</u>
Fund balances, end of year	<u>\$ 3,912,410</u>	<u>\$ 3,857,713</u>	<u>\$ 4,576,046</u>	<u>\$ 718,333</u>

LAKE HAVASU CITY, ARIZONA
 LOTTERY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ <u>250,523</u>	\$ <u>250,591</u>	\$ <u>68</u>
Total revenues	<u>250,523</u>	<u>250,591</u>	<u>68</u>
Expenditures			
Current			
Highways and streets	<u>57,680</u>	<u>57,659</u>	<u>21</u>
Total expenditures	<u>57,680</u>	<u>57,659</u>	<u>21</u>
Excess (deficiency) of revenues over expenditures	<u>192,843</u>	<u>192,932</u>	<u>89</u>
Other financing sources (uses)			
Transfers out	<u>(204,000)</u>	<u>(204,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(204,000)</u>	<u>(204,000)</u>	<u>-</u>
Net change in fund balances	(11,157)	(11,068)	89
Fund balances, beginning of year	<u>7,804</u>	<u>7,802</u>	<u>(2)</u>
Fund balances, end of year	\$ <u>(3,353)</u>	\$ <u>(3,266)</u>	\$ <u>87</u>

LAKE HAVASU CITY, ARIZONA
 TOURISM / ECONOMIC DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales taxes	\$ 1,600,000	\$ 1,445,605	\$ (154,395)
Total revenues	<u>1,600,000</u>	<u>1,445,605</u>	<u>(154,395)</u>
Expenditures			
Current			
Tourism and promotion	1,600,000	1,397,567	202,433
Total expenditures	<u>1,600,000</u>	<u>1,397,567</u>	<u>202,433</u>
Excess (deficiency) of revenues over expenditures	-	48,038	48,038
Fund balances, beginning of year	328,627	274,628	(53,999)
Fund balances, end of year	<u>\$ 328,627</u>	<u>\$ 322,666</u>	<u>\$ (5,961)</u>

LAKE HAVASU CITY, ARIZONA
TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 668,000	\$ 636,824	\$ (31,176)
Charges for services	409,000	355,044	(53,956)
Other	-	12,266	12,266
Total revenues	<u>1,077,000</u>	<u>1,004,134</u>	<u>(72,866)</u>
Expenditures			
Current			
Transportation services	<u>1,941,574</u>	<u>1,666,250</u>	<u>275,324</u>
Total expenditures	<u>1,941,574</u>	<u>1,666,250</u>	<u>275,324</u>
Excess (deficiency) of revenues over expenditures	<u>(864,574)</u>	<u>(662,116)</u>	<u>202,458</u>
Other financing sources (uses)			
Transfers in	<u>980,000</u>	<u>850,000</u>	<u>(130,000)</u>
Total other financing sources (uses)	<u>980,000</u>	<u>850,000</u>	<u>(130,000)</u>
Net change in fund balances	115,426	187,884	72,458
Fund balances, beginning of year	<u>179,569</u>	<u>19,572</u>	<u>(159,997)</u>
Fund balances, end of year	<u>\$ 294,995</u>	<u>\$ 207,456</u>	<u>\$ (87,539)</u>

LAKE HAVASU CITY, ARIZONA
JCEF/RICO/GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 337,151	\$ 269,367	\$ (67,784)
Fines and forfeitures	76,000	94,436	18,436
Investment earnings	-	34	34
Other	-	5	5
Total revenues	<u>413,151</u>	<u>363,842</u>	<u>(49,309)</u>
Expenditures			
Current			
General government	113,886	104,840	9,046
Public safety	346,300	225,562	120,738
Transportation services	<u>22,000</u>	<u>558</u>	<u>21,442</u>
Total expenditures	<u>482,186</u>	<u>330,960</u>	<u>151,226</u>
Excess (deficiency) of revenues over expenditures	(69,035)	32,882	101,917
Fund balances, beginning of year	<u>250,135</u>	<u>253,659</u>	<u>3,524</u>
Fund balances, end of year	<u>\$ 181,100</u>	<u>\$ 286,541</u>	<u>\$ 105,441</u>

LAKE HAVASU CITY, ARIZONA
CDBG/HOME FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ <u>2,182,284</u>	\$ <u>520,285</u>	\$ <u>(1,661,999)</u>
Total revenues	<u>2,182,284</u>	<u>520,285</u>	<u>(1,661,999)</u>
Expenditures			
Current			
General government	<u>2,182,284</u>	<u>520,285</u>	<u>1,661,999</u>
Total expenditures	<u>2,182,284</u>	<u>520,285</u>	<u>1,661,999</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 1 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ <u>103,000</u>	\$ <u>102,106</u>	\$ <u>(894)</u>
Total revenues	<u>103,000</u>	<u>102,106</u>	<u>(894)</u>
Expenditures			
Current			
General government	<u>96,300</u>	<u>81,154</u>	<u>15,146</u>
Total expenditures	<u>96,300</u>	<u>81,154</u>	<u>15,146</u>
Excess (deficiency) of revenues over expenditures	6,700	20,952	14,252
Fund balances, beginning of year	<u>9,522</u>	<u>(9,953)</u>	<u>(19,475)</u>
Fund balances, end of year	<u>\$ <u>16,222</u></u>	<u>\$ <u>10,999</u></u>	<u>\$ <u>(5,223)</u></u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ 23,000	\$ 21,424	\$ (1,576)
Total revenues	<u>23,000</u>	<u>21,424</u>	<u>(1,576)</u>
Expenditures			
Current			
General government	23,975	17,198	6,777
Total expenditures	<u>23,975</u>	<u>17,198</u>	<u>6,777</u>
Excess (deficiency) of revenues over expenditures	(975)	4,226	5,201
Fund balances, beginning of year	5,158	4,604	(554)
Fund balances, end of year	<u>\$ 4,183</u>	<u>\$ 8,830</u>	<u>\$ 4,647</u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 3 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes			
Property taxes	\$ <u>22,000</u>	\$ <u>21,311</u>	\$ <u>(689)</u>
Total revenues	<u>22,000</u>	<u>21,311</u>	<u>(689)</u>
Expenditures			
Current			
General government	<u>22,900</u>	<u>17,267</u>	<u>5,633</u>
Total expenditures	<u>22,900</u>	<u>17,267</u>	<u>5,633</u>
Excess (deficiency) of revenues over expenditures	(900)	4,044	4,944
Fund balances, beginning of year	<u>10,462</u>	<u>5,885</u>	<u>(4,577)</u>
Fund balances, end of year	\$ <u><u>9,562</u></u>	\$ <u><u>9,929</u></u>	\$ <u><u>367</u></u>

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 4 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ 60,661	\$ 61,767	\$ 1,106
Total revenues	<u>60,661</u>	<u>61,767</u>	<u>1,106</u>
Expenditures			
Current			
General government	60,561	58,246	2,315
Total expenditures	<u>60,561</u>	<u>58,246</u>	<u>2,315</u>
Excess (deficiency) of revenues over expenditures	100	3,521	3,421
Fund balances, beginning of year	<u>3,922</u>	<u>5,476</u>	<u>1,554</u>
Fund balances, end of year	<u>\$ 4,022</u>	<u>\$ 8,997</u>	<u>\$ 4,975</u>

LAKE HAVASU CITY, ARIZONA
P & R MEMORIAL TREE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Contributions and donations	\$ <u>10,000</u>	\$ <u>12,250</u>	\$ <u>2,250</u>
Total Revenues	<u>10,000</u>	<u>12,250</u>	<u>2,250</u>
Expenditures			
Current			
Culture and recreation	<u>20,000</u>	<u>8,276</u>	<u>11,724</u>
Total Expenditures	<u>20,000</u>	<u>8,276</u>	<u>11,724</u>
Excess (deficiency) of revenues over expenditures	(10,000)	3,974	13,974
Fund balances, beginning of year	<u>10,000</u>	<u>4,016</u>	<u>(5,984)</u>
Fund balances, end of year	\$ <u>-</u>	\$ <u>7,990</u>	\$ <u>7,990</u>

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STATISTICAL SECTION

LAKE HAVASU CITY, ARIZONA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Culture and Recreation</u>	<u>Tourism and Promotion</u>	<u>Transportation Services</u>	<u>Interest on Long-term Debt</u>	<u>Refuse</u>	<u>Recreation/ Aquatic Center</u>	<u>Irrigation and Drainage</u>	<u>Sanitary</u>	<u>Airport</u>	<u>Totals</u>
2003	\$ 7,158,240	\$ 13,067,015	\$ 6,197,856	\$ 3,262,316	\$ 1,201,872	\$ 1,518,401	\$ 903,514	\$ 384,014	\$ 1,118,978	\$ 6,967,361	\$ 4,545,242	\$ 1,650,741	\$ 47,975,550
2004	8,476,152	14,960,107	6,445,426	3,724,502	1,264,920	1,761,356	732,398	395,178	1,165,795	7,424,603	6,395,900	2,128,119	54,874,456
2005	8,368,982	16,646,139	7,214,688	4,533,104	1,398,228	1,796,054	581,320	433,897	1,220,529	9,452,177	7,308,945	1,499,059	60,453,122

Note: 2002-03 was the City's first year to prepare government-wide financial statements.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
GOVERNMENT-WIDE REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Revenue Sharing</u>	<u>Investment Earnings (Loss)</u>	<u>Other</u>	<u>Gain on Sale of Capital Assets</u>	<u>Totals</u>
2003	\$ 20,605,384	\$ 6,474,943	\$ 3,740,235	\$ 22,813,291	\$ 10,051,551	\$ (538,522)	\$ 90,871	\$ 17,694	\$ 63,255,447
2004	22,932,229	7,065,466	8,932,610	24,473,170	9,699,257	816,477	36,861	-	73,956,070
2005	24,436,774	8,234,914	6,920,266	26,303,122	10,360,944	1,317,564	17,325	-	77,590,909

Note: 2002-03 was the City's first year to prepare government-wide financial statements.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Highways and Streets	Tourism and Promotion	Culture and Recreation	(2) Transportation Services	Capital Outlay	Health Services	(3) Debt Service	Total
1996	\$ 4,059,643	\$ 8,230,674	\$ 5,878,591	\$ 420,757	\$ 1,465,002	\$ 587,555	\$ 4,724,159	\$ 118,833	\$ 2,089,064	\$ 27,574,278
1997	4,461,865	8,276,639	4,494,365	679,900	1,494,177	666,816	2,570,980	127,998	2,093,835	24,866,575
1998	4,282,279	8,739,569	4,004,819	737,000	1,644,215	666,797	3,835,666	135,925	2,094,695	26,140,965
1999	5,116,916	9,056,997	4,188,364	870,000	1,822,621	777,818	5,251,704	141,936	3,728,320	30,954,676
2000	5,697,683	9,864,505	4,170,611	977,500	1,992,377	886,450	7,711,427	146,139	3,695,603	35,142,295
2001	6,071,175	10,360,617	4,589,165	1,107,109	2,278,113	947,886	9,781,342	146,139	3,708,104	38,989,650
2002	6,302,401	12,128,366	4,379,122	1,184,846	2,898,241	1,190,852	8,474,142	138,832	3,760,603	40,457,405
2003	7,035,908	12,725,332	4,646,201	1,201,211	3,014,259	1,414,090	2,399,915	-	3,809,514	36,246,430
2004	8,141,073	14,283,381	4,990,748	1,264,259	3,585,349	1,950,290	7,582,000	-	3,432,398	45,229,498
2005	8,270,651	16,727,791	6,501,669	1,397,567	4,530,472	1,666,808	6,737,122	-	3,816,320	49,648,400

(1) Includes General, Special Revenue, Capital Projects, and Debt Service fund types.

(2) City Transit Services is a door-to-door, demand response covering all of Lake Havasu City, Arizona.

(3) On May 1, 1991, the Lake Havasu City Municipal Property Corporation (MPC) issued \$4,070,000 of revenue bonds. On February 1, 1993, the Lake Havasu City MPC issued \$26,530,000 of revenue bonds. On March 16, 1999, the Lake Havasu City MPC issued \$14,135,000 of excise refunding obligations, refunding \$12,800,000 of the outstanding Municipal Facilities Revenue Bonds, Series 1993. On May 22, 2001 Lake Havasu City issued \$891,000 in Improvement District Bonds, Series 2001, for the McCulloch Boulevard Streetscape Improvement Project.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental Revenues</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Total</u>
1996	\$ 9,062,485	\$ 1,028,278	\$ 10,539,401	\$ 543,289	\$ 329,283	\$ 963,162	\$ 22,465,898
1997	12,220,702	1,045,252	11,945,640	593,082	341,702	749,489	26,895,867
1998	13,229,218	1,263,213	12,239,649	537,584	401,899	975,262	28,646,825
1999	14,048,767	1,456,782	13,287,499	703,665	577,375	1,265,033	31,339,121
2000	15,333,491	1,661,498	15,535,182	1,140,131	796,845	1,527,392	35,994,539
2001	16,198,380	2,237,623	15,521,374	888,252	845,309	1,903,273	37,594,211
2002	18,263,634	2,620,165	16,656,120	1,016,466	897,570	1,031,222	40,485,177
2003	20,669,273	2,943,803	16,189,913	1,040,759	1,054,494	9,090	41,907,332
2004	22,452,872	3,054,053	20,201,471	1,079,752	1,209,200	670,648	48,667,996
2005	24,284,788	3,063,436	17,581,248	1,055,558	1,159,289	840,696	47,985,015

(1) Includes General, Special Revenue, Capital Projects, and Debt Service fund types.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>		<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Tax Collections as Percent of Current Tax Levy</u>	<u>(2) Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 293,000		\$ 261,846	89.4 %	\$ 34,819	\$ 296,665	101.3 %	\$ 56,914	19.4 %
1997	2,501,989	(3)	2,334,704	93.3	11,664	2,346,368	93.8	186,181	7.4
1998	2,501,989		2,428,603	97.1	105,166	2,533,769	101.3	148,589	5.9
1999	2,501,989		2,432,828	97.2	160,555	2,593,383	103.7	130,947	5.2
2000	2,501,989		2,395,112	95.7	70,083	2,465,195	98.5	130,338	5.2
2001	2,501,989		2,388,203	95.5	77,026	2,465,229	98.5	162,147	6.5
2002	2,663,083		2,516,381	94.5	129,542	2,645,923	99.4	167,214	6.3
2003	2,831,976		2,705,073	95.5	93,173	2,798,246	98.8	156,339	5.5
2004	2,955,272		2,889,381	97.8	129,208	3,018,589	102.1	87,394	3.0
2005	3,307,968		3,183,551	96.2	60,864	3,244,415	98.1	154,741	4.7

(1) Mohave County is responsible for assessing and collecting property taxes

(2) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.

(3) On July 3, 1996, the city property tax rate was increased from \$0.1121 per \$100 assessed in 1996 to \$0.9162 per \$100 assessed in 1997. On January 14, 1997, the City's voters approved Proposition 200 prohibiting the increase in property tax without first obtaining the approval of more than two thirds of the voters.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
IRRIGATION AND DRAINAGE DISTRICT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Tax Collections as Percentage of Current Tax Levy</u>	⁽³⁾ <u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 6,484,155	\$ 5,801,325	89.5 %	\$ 473,477	\$ 6,274,802	96.8 %	\$ 716,835	11.1 %
1997	5,514,405	5,290,746	95.9	272,257	5,563,003	100.9	570,019	10.3
1998	4,675,894	4,309,798	92.2	306,444	4,616,242	98.7	460,437	9.8
1999	3,965,067	3,542,497	89.3	398,944	3,941,441	99.4	380,536	9.6
2000	3,094,483	2,912,870	94.1	254,065	3,166,935	102.3	309,202	10.0
2001	2,095,102	1,963,683	93.7	125,152	2,088,835	99.7	269,493	12.9
2002	2,095,102	1,994,409	95.2	35,738	2,030,147	96.9	163,443	7.8
2003	2,075,150	2,004,113	96.6	85,911	2,090,024	100.7	91,598	4.4
2004	2,075,150	2,012,055	97.0	81,604	2,093,659	100.9	51,883	2.5
2005	2,075,150	1,966,752	94.8	49,807	2,016,559	97.2	93,897	4.5

- (1) Lake Havasu Irrigation and Drainage District was organized on September 30, 1963. The District was to be dissolved in fiscal year 2004 upon the retirement of all outstanding obligations of the District. However, on February 1, 1993, \$4,120,000 in general obligations refunding bonds were issued. The District will be dissolved in fiscal year 2022 upon the retirement of all outstanding obligations of the District.
- (2) Mohave County is responsible for assessing and collecting property taxes.
- (3) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
SANITARY DISTRICT (1)
PROPERTY TAX LEVIES AND COLLECTIONS (2)
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy		Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Tax Collections as Percentage of Current Tax Levy	(3) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy				
1996	\$	2,635,375	\$	2,412,240	91.5 %	\$	204,178	\$	2,616,418	99.3 %	\$	351,559	13.3 %
1997		2,169,234		2,049,099	94.5		157,334		2,206,433	101.7		206,982	9.5
1998		2,004,003		1,799,266	89.8		161,654		1,960,920	97.9		213,698	10.7
1999		1,880,444		1,673,818	89.0		205,308		1,879,126	99.9		175,334	9.3
2000		1,767,644		1,660,289	93.9		146,706		1,806,995	102.2		150,444	8.5
2001		1,654,844		1,553,091	93.9		68,273		1,621,364	98.0		152,639	9.2
2002		1,605,000		1,513,807	94.3		68,603		1,582,410	98.6		152,283	9.5
2003		- (1)		-	N/A		63,022		63,022	N/A		34,579	N/A
2004		- (1)		-	N/A		4,778		4,778	N/A		42,638	N/A
2005		- (1)		-	N/A		790		790	N/A		41,474	N/A

(1) Lake Havasu Sanitary District was formed on October 28, 1964. The District was to be dissolved in fiscal year 1996 upon retirement of all outstanding obligations of the District. However, on May 23, 1990, \$160,000 in general obligations refunding bonds were issued. The District was dissolved in fiscal year 2003 upon the retirement of all outstanding general obligation bonds of the District.

(2) Mohave County is responsible for assessing and collecting property taxes.

(3) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 1 - SPECIAL ASSESSMENT (1)
LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	(3) <u>Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Tax Collections as Percentage of Current Tax Levy</u>	(2) <u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 47,000	\$ 42,879	91.2 %	\$ 3,372	\$ 46,251	98.4 %	\$ 3,680	7.8 %
1997	52,319	50,751	97.0	1,629	52,380	100.1	2,708	5.2
1998	30,016	28,749	95.8	2,176	30,925	103.0	1,799	6.0
1999	66,000	63,964	96.9	651	64,615	97.9	1,410	2.1
2000	50,000	47,631	95.3	1,356	48,987	98.0	1,547	3.1
2001	25,000	24,217	96.9	1,562	25,779	103.1	665	2.7
2002	60,000	58,429	97.4	788	59,217	98.7	1,504	2.5
2003	80,000	77,612	97.0	1,522	79,134	98.9	2,312	2.9
2004	80,000	78,949	98.7	2,385	81,334	101.7	1,272	1.6
2005	103,000	99,899	97.0	1,265	101,164	98.2	4,829	4.7

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 1 operates the gas lights in the golf course area tracts.
- (2) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.
- (3) Pursuant to A.R.S. §11-251.06, the Board of Supervisors established an annual fee to reimburse the County for providing property tax collections and distribution services. This fee is shown as a reduction to current tax collections in years 1996 through 2000.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 2 - SPECIAL ASSESSMENT (1)
LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>(3) Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Tax Collections as Percentage of Current Tax Levy</u>	<u>(2) Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$ 56,000	\$ 42,925	76.7 %	\$ 3,336	\$ 46,261	82.6 %	\$ 10,018	17.9 %
1997	60,542	48,290	79.8	8,228	56,518	93.4	14,579	24.1
1998	77,726	71,567	92.1	4,450	76,017	97.8	12,870	16.6
1999	35,500	31,818 (4)	89.6	327	32,145	90.5	7,339	20.7
2000	35,500	31,190 (4)	87.9	8,230	39,420	111.0	3,905	11.0
2001	35,500	32,177 (4)	90.6	2,831	35,008	98.6	3,288	9.3
2002	35,500	34,362 (4)	96.8	2,208	36,570	103.0	2,139	6.0
2003	23,500	22,474	95.6	555	23,029	98.0	1,764	7.5
2004	23,500	22,888	97.4	993	23,881	101.6	2,742	11.7
2005	23,000	20,448	88.9	567	21,015	91.4	4,755	20.7

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 2 maintains and operates the parking lot, utilities, landscaping and related capital improvements in the London Bridge Shopping Center.
- (2) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.
- (3) Pursuant to A.R.S. §11-251.06, the Board of Supervisors established an annual fee to reimburse the County for providing property tax collections and distribution services. This fee is shown as a reduction to current tax collections in years 1996 through 2000.
- (4) It was discovered that certain properties were improperly assessed taxes by the Mohave County Treasurer. On November 1, 1999, an Intergovernmental Agreement was entered into, whereas, the Improvement District would pay back \$84,953.37 over 10 years for property tax distributions received in error. The Improvement District paid off the balance on August 12, 2002. Payment to Mohave County was from three sources: 1) tax collections, 2) income from land rental charges to tour bus companies, and 3) income from weekly outdoor swap meet rental charges.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 3 - SPECIAL ASSESSMENT (1)
LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	(3) Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Tax Collections as Percentage of Current Tax Levy	(2) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1996	\$ 9,000	\$ 7,854	87.3 %	\$ 278	\$ 8,132	90.4 %	\$ 592	6.6 %
1997	8,974	8,412	93.7	515	8,927	99.5	1,395	15.5
1998	6,062	5,431	89.6	161	5,592	92.2	1,865	30.8
1999	6,000	4,660	77.7	620	5,280	88.0	224	3.7
2000	8,200	7,678	93.6	1,114	8,792	107.2	380	4.6
2001	12,500	9,646	77.2	152	9,798	78.4	385	3.1
2002	10,500	10,056	95.8	294	10,350	98.6	548	5.2
2003	21,300	20,881	98.0	314	21,195	99.5	333	1.6
2004	23,750	23,035	97.0	249	23,284	98.0	741	3.1
2005	22,000	20,749	94.3	435	21,184	96.3	1,624	7.4

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 3 is for the purpose of maintaining and operating the gas lights and landscape strips in the Lakeview Mobil Home Park.
- (2) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.
- (3) Pursuant to A.R.S. §11-251.06, the Board of Supervisors established an annual fee to reimburse the County for providing property tax collections and distribution services. This fee is shown as a reduction to current tax collections in years 1996 through 2000.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 4 - SPECIAL ASSESSMENT (1)
LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	(3) Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Tax Collections as Percentage of Current Tax Levy	(2) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1996	\$ 50,000	\$ 42,010	84.0 %	\$ 4,039	\$ 46,049	92.1 %	\$ 3,807	7.6 %
1997	113,891	98,081	86.1	1,474	99,555	87.4	8,957	7.9
1998	62,172	63,032	101.4	5,498	68,530	110.2	2,599	4.2
1999	60,000	58,725	97.9	1,711	60,436	100.7	633	1.1
2000	50,320	50,000	99.4	587	50,587	100.5	1,854	3.7
2001	30,000	30,148	100.5	1,517	31,665	105.6	2,356	7.9
2002	40,000	37,414	93.5	2,103	39,517	98.8	1,186	3.0
2003	17,592	15,433	87.7	885	16,318	92.8	-	0.0
2004	60,661	59,605	98.3	1,917	61,522	101.4	2,694	4.4
2005	60,661	59,981	98.9	1,243	61,224	100.9	1,748	2.9

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 4 maintains the gas lights on Civic Center Boulevard and median landscaping on McCulloch Boulevard from Smoketree to Lake Havasu Avenue.
- (2) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.
- (3) Pursuant to A.R.S. §11-251.06, the Board of Supervisors established an annual fee to reimburse the County for providing property tax collections and distribution services. This fee is shown as a reduction to current tax collections in years 1996 through 2000.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
IMPROVEMENT DISTRICT NO. 5 - SPECIAL ASSESSMENT (1)
LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	(3) Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Tax Collections as Percentage of Current Tax Levy	(2) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1996	\$ 3,600	\$ 3,062	85.1 %	\$ 329	\$ 3,391	94.2 %	\$ 199	5.5 %
1997	3,677	3,557	96.7	32	3,589	97.6	213	5.8
1998	3,003	2,894	96.4	178	3,072	102.3	144	4.8
1999	3,000	2,793	93.1	73	2,866	95.5	298	9.9
2000	3,275	2,774	84.7	180	2,954	90.2	405	12.4
2001	3,400	3,190	93.8	404	3,594	105.7	244	7.2
2002	-	-	N/A	158	158	N/A	15	N/A
2003	-	-	N/A	-	-	N/A	-	N/A
2004	-	-	N/A	-	-	N/A	-	N/A
2005	-	-	N/A	-	-	N/A	-	N/A

- (1) On July 1, 1998, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Improvement District No. 5 is for the purpose of maintaining the gas lights between Smoketree Avenue and Wings Loop on McCulloch Boulevard. This Improvement District was dissolved on June 30, 2001.
- (2) Outstanding delinquent taxes per Mohave County Treasurer at June 30th.
- (3) Pursuant to A.R.S. §11-251.06, the Board of Supervisors established an annual fee to reimburse the County for providing property tax collections and distribution services. This fee is shown as a reduction to current tax collections in years 1996 through 2000.

Not covered by Auditor's Report.

LAKE HAVASU CITY, ARIZONA
SECONDARY ASSESSED AND ESTIMATED
FULL CASH VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS

Fiscal Year	Secondary Assessed Value	Estimated Full Cash Valuation (2)	Ratio of Secondary Assessed Value to Estimated Full Cash Value
1996	\$ 282,235,484	\$ 2,065,742,634	1 to 7.32
1997	286,057,387	2,146,769,700	1 to 7.50
1998	284,936,531	2,131,490,236	1 to 7.48
1999	287,037,669	2,160,210,135	1 to 7.52
2000	294,554,890	2,322,006,685	1 to 7.88
2001	303,550,540	2,422,079,646	1 to 7.98
2002	319,176,695	2,633,251,147	1 to 8.25
2003	342,812,443	2,944,700,885	1 to 8.59
2004	379,120,293	3,554,099,408	1 to 9.37
2005	450,837,893	4,651,155,058	1 to 10.32

- (1) Assessed values are established by the County Assessment Board on the third Monday in August of each year. Full cash value is synonymous with market value. A revaluation of all property is required each year.
- (2) Arizona Department of Revenue.

Not covered by Auditor's report.

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LAKE HAVASU CITY, ARIZONA (1)
PROPERTY TAX LEVIES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	(3) Tax Levy Type	Lake Havasu City (4)	Lake Havasu Irrigation & Drainage District	Lake Havasu Sanitary District	Lake Havasu	
					No. 1	No. 2
1996	Primary Secondary	\$ 293,000 -	\$ - 6,484,155	\$ - 2,635,375	\$ - 47,000	\$ - 56,000
1997	Primary Secondary	2,501,989 -	- 5,514,405	- 2,169,234	- 52,319	- 60,542
1998	Primary Secondary	2,501,989 -	- 4,675,894	- 2,004,003	- 30,016	- 77,726
1999	Primary Secondary	2,501,989 -	- 3,965,067	- 1,880,444	- 66,000	- 35,500
2000	Primary Secondary	2,501,989 -	- 3,094,483	- 1,767,644	- 50,000	- 35,500
2001	Primary Secondary	2,501,989 -	- 2,095,102	- 1,654,844	- 25,000	- 35,500
2002	Primary Secondary	2,663,083 -	- 2,095,102	- 1,605,000	- 60,000	- 35,500
2003	Primary Secondary	2,831,976 -	- 2,075,150	- -	- 80,000	- 23,500
2004	Primary Secondary	2,955,272 -	- 2,075,150	- -	- 80,000	- 23,500
2005	Primary Secondary	3,307,968 -	- 2,075,150	- -	- 103,000	- 23,000

- (1) On July 1, 1988, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Only a small portion of the City is located within the boundaries of the Improvement Districts.
- (2) Includes property tax assessment and levy of Mohave Community College, Mohave County General Fund, Mohave T.V. District, Fire District Assistance tax, Mohave County Library District, Mohave County Flood Control Districts.

Not covered by Auditor's report.

Improvement Districts (1)

No. 3	No. 4	No. 5	Lake Havasu School District	(2) Mohave County	State of Arizona	Total
\$ - 9,000	\$ - 50,000	\$ - 3,600	\$ 12,028,835 1,975,226	\$ 14,500,430 7,004,937	\$ 8,307,797 -	\$ 35,130,062 18,265,293
- 8,974	- 113,891	- 3,677	12,050,556 3,147,471	22,076,711 7,058,409	4,528,029 -	41,157,285 18,128,922
- 6,062	- 62,172	- 3,003	11,691,861 2,259,301	23,026,361 5,811,248	4,689,867 -	41,910,078 14,929,425
- 6,000	- 60,000	- 3,000	12,148,897 4,156,521	23,682,320 8,126,809	4,774,409 -	43,107,615 18,299,341
- 8,200	- 50,320	- 3,275	13,980,945 4,442,651	24,275,741 8,473,300	4,749,429 -	45,508,104 17,925,373
- 12,500	- 30,000	- 3,400	11,997,966 3,642,302	25,180,474 8,702,425	4,831,776 -	44,512,205 16,201,073
- 10,500	- 40,000	- (5)	13,674,746 5,054,409	26,679,250 9,442,916	4,933,621 -	47,950,700 18,343,427
- 21,300	- 17,592	- (5)	15,403,945 3,814,331	28,102,775 9,985,278	5,107,981 -	51,446,677 16,017,151
- 23,750	- 60,661	- (5)	20,581,986 5,247,987	31,282,590 10,950,570	5,470,744 -	60,290,592 18,461,618
- 22,000	- 60,661	- (5)	19,097,472 4,647,515	21,908,603 12,312,558	5,708,756 -	50,022,799 19,243,884

- (3) Beginning with the 1980 tax year, property tax levies were divided into primary tax levy and secondary tax levy. Taxes levied on primary valuation are for operation and maintenance. Secondary property tax may only be levied to pay principal and interest charges on bonds.
- (4) On January 14, 1997, the City's voters approved a proposition (Proposition 200) prohibiting the City from increasing its property tax, sales transaction privilege tax and other existing City tax without first obtaining the approval of more than two-thirds of the City's voters in a special election.
- (5) Improvement District No. 5 was dissolved on June 30, 2001.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	(3) Tax Levy Type	Lake Havasu City	Lake Havasu Irrigation & Drainage District (per acre)	Lake Havasu Sanitary District	Lake Havasu	
					No. 1	No. 2
1996	Primary	0.1121	-	-	-	-
	Secondary	-	300.88	2.4237	0.3764	1.6850
1997	Primary	0.9162	-	-	-	-
	Secondary	-	268.85	1.9620	0.4131	1.8143
1998	Primary	0.9022	-	-	-	-
	Secondary	-	228.58	1.8029	0.2390	2.2694
1999	Primary	0.8838	-	-	-	-
	Secondary	-	193.46	1.6920	0.5566	2.2731
2000	Primary	0.8740	-	-	-	-
	Secondary	-	151.13	1.4841	0.4081	2.1832
2001	Primary	0.8423	-	-	-	-
	Secondary	-	102.17	1.3400	0.1986	2.0365
2002	Primary	0.8413	-	-	-	-
	Secondary	-	101.55	1.2480	0.4520	2.1626
2003	Primary	0.8413	-	-	-	-
	Secondary	-	101.11	-	0.5538	1.4600
2004	Primary	0.8413	-	-	-	-
	Secondary	-	100.58	-	0.5538	1.4600
2005	Primary	0.7958	-	-	-	-
	Secondary	-	101.99	-	0.5491	1.2822

- (1) On July 1, 1988, the operation and maintenance of the five Improvement Districts (expanded from three) became the responsibility of Lake Havasu City, Arizona instead of Mohave County. Only a small portion of the City is located within the boundaries of the Improvement Districts.
- (2) Includes property tax assessment and levy of Mohave Community College, Mohave County General Fund, Mohave T.V. District, Fire District Assistance tax, Mohave County Library District, Mohave County Flood Control Districts.

Not covered by Auditor's report.

Improvement Districts (1)			Lake Havas School District	(2) Mohave County	State of Arizona	Total
No. 3	No. 4	No. 5				
-	-	-	4.3753	1.7454	1.0000	7.2328
1.2369	0.4926	0.2593	0.6646	0.8196	-	7.9581
-	-	-	4.2013	2.5841	0.5300	8.2316
1.2201	1.1021	0.2675	1.0469	0.8171	-	8.6431
-	-	-	4.0114	2.6022	0.5300	8.0458
0.8451	0.5932	0.2213	0.7541	0.6689	-	7.3939
-	-	-	4.0777	2.6289	0.5300	8.1204
0.8392	0.5659	0.2187	1.3754	0.9603	-	8.4812
-	-	-	4.6398	1.7500	0.5217	7.7855
1.1256	0.4807	0.2304	1.4338	0.9853	-	8.3312
-	-	-	3.8359	1.7500	0.5165	6.9447
1.7088	0.2595	0.2323	1.1386	0.9853	-	7.8996
-	-	-	4.1564	2.6898	0.4974	8.1849
1.5816	0.3060	- (4)	1.5060	1.0103	-	8.2665
-	-	-	4.3377	2.6898	0.4889	8.3577
3.1579	0.1243	- (4)	1.0535	1.0103	-	7.3598
-	-	-	5.2253	2.6973	0.4717	9.2356
3.5200	0.4300	- (4)	1.3034	1.0103	-	8.2775
-	-	-	4.3420	1.7500	0.4560	7.3438
3.0983	0.4051	- (4)	0.9646	1.0103	-	7.3096

(3) Beginning with the 1980 tax year, property tax levies were divided into primary tax levy and secondary tax levy. Taxes levied on primary valuation are for operation and maintenance. Secondary property tax may only be levied to pay principal and interest charges on bonds.

(4) Improvement District No. 5 was dissolved on June 30, 2001.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
IRRIGATION AND DRAINAGE DISTRICT -
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	(2) Population	Secondary Assessed Value	(1) Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	\$ 36,285	\$ 282,235,484	\$ 2,356,000	\$ 638,031	\$ 1,717,969	0.6 %	\$ 47.35
1997	37,580	286,832,534	2,235,000	517,256	1,717,744	0.6	45.71
1998	38,635	284,936,531	1,516,000	476,609	1,239,245	0.4	32.08
1999	39,655	287,037,669	1,131,000	411,529	847,734	0.3	21.38
2000	41,045	294,554,890	805,000	246,076	558,924	0.2	13.62
2001	41,938	303,550,540	655,000	240,890	414,110	0.1	9.87
2002	44,200	319,176,695	510,000	249,911	260,089	0.1	5.88
2003	46,400	342,812,443	370,000	242,551	127,449	-	2.75
2004	48,730	379,120,293	235,000	123,732	111,268	-	2.28
2005	53,204	450,837,893	215,000	124,943	90,057	-	1.69

(1) Includes all long-term general obligation debt.

(2) Fiscal year 2001 from 2000 Census, fiscal year 2005 from the U.S. Census Bureau estimated, all other years from the Arizona Economic Estimates Commission.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
SANITARY DISTRICT (3) -
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	(2) Population	Secondary Assessed Value	(1) Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	\$ 4,519	\$108,733,502	\$ 25,000	\$ 63,079	\$ (38,079)	- %	\$ (8.43)
1997	4,609	110,562,586	25,000	70,538	(45,538)	-	(9.88)
1998	4,701	110,558,982	25,000	71,514	(46,514)	-	(9.89)
1999	4,796	110,140,093	25,000	74,386	(49,386)	-	(10.30)
2000	4,892	119,103,977	25,000	73,296	(48,296)	-	(9.87)
2001	4,990	123,493,246	25,000	76,676	(51,676)	-	(10.36)
2002	5,090	128,603,107	25,000	76,726	(51,726)	-	(10.16)
2003	5,192	136,790,629	-	52,209	(52,209)	-	(10.06)
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-

(1) Includes all long-term general obligation debt.

(2) Estimate by Lake Havasu City Finance Department.

(3) Sanitary District was dissolved June 30, 2003 and all debt defeased.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
TAX REVENUES BY SOURCE (7)
LAST TEN FISCAL YEARS

Fiscal Year	Lake Havasu City	Irrigation & Drainage District	Sanitary District	(1) Sales & Use Tax	(2) Franchise Tax	(3) Transient Occupancy Tax
1996	\$ 309,710	\$ 6,274,802	\$ 2,640,884	\$ 7,988,539	\$ 111,124	\$ 397,017
1997	2,350,533 (4)	5,352,961 (5)	2,066,862 (5)	8,999,217	118,310	411,055
1998	2,533,769	4,616,242	1,960,920	9,836,087	139,493	416,042
1999	2,593,383	3,941,441	1,879,124	10,599,361	158,076	453,368
2000	2,465,195	3,166,935	1,806,995	11,975,803	164,260	513,093
2001	2,465,229	2,088,836	1,621,364	12,829,253	182,697	531,633
2002	2,645,923	2,030,147	1,582,410	14,670,342	196,684	549,781
2003	2,847,465	2,115,758	34,196	16,818,151	224,516	575,556
2004	2,952,049	2,046,881	(48,195)(6)	18,302,424	258,527	634,257
2005	3,265,062	1,992,909	- (6)	19,902,333	254,675	656,110

- (1) On September 30, 1990, sales and use tax was increased from 1% to 2% on gross income from a sale of a single item of tangible personal property exceeding \$2,500, the 2% tax rate shall apply to the first \$2,500. Above \$2,500, the measure to tax shall be at a rate of 1%. As of January 1, 1996, the two-tiered tax rate was discontinued and the 2% tax rate was applicable regardless of the amount of sale. An additional 1% restaurant and bar tax was adopted June 26, 1996, effective September 1, 1996.
- (2) Franchises: Citizens Utilities Gas Co. - 2% franchise tax; NPG Cable of Arizona - 3% franchise tax.
- (3) 3% transient rental tax on occupancy of less than 30 days unless there is an agreement in writing providing for a longer period of stay. Proceeds are used for promotion of tourism and economic development. Effective date February 1, 1982.
- (4) On July 3, 1996, the City property tax rate was increased from \$0.1121 per \$100 assessed in 1996 to \$0.9162 per \$100 assessed in 1997.
- (5) In fiscal year 1997, Council adopted the "Financial Plan for the City". One of the elements of the plan is to decrease the per acre tax of the Irrigation and Drainage District and the property tax rate of the Sanitary District with a proportionate increase in water and sewer rates each year. The Sanitary District was dissolved June 30, 2003 upon the retirement of all general obligation bonds of the District. The Irrigation and Drainage District per acre tax has been leveled off starting in fiscal year 2003 as the tax levy is used to pay down the loan from WIFA for the wastewater treatment system.
- (6) It was discovered that certain properties were improperly assessed taxes by the Mohave County Treasurer. The taxes paid were reimbursed to the property owner. Collections of taxes from this district are being withheld from payments to the City and retained by the County to reduce the balance owed on this refund.
- (7) On January 14, 1997, the City's voters approved a proposition (Proposition 200) prohibiting the City from increasing its property tax, sales transaction privilege tax and any other existing City tax without first obtaining the approval of more than two third of the City's voters at a special election.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005

Net secondary assessed valuation	\$ <u>450,837,893</u>
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Calculation of 6% Debt Limitation (1)

6% of secondary net assessed valuation	\$ 27,050,274
Bonds outstanding	<u>-</u>
Net 6% Debt Limitation	<u>27,050,274</u>

Calculation of 20% Debt Limitation (2)

20% of secondary net assessed valuation	90,167,579
Bonds outstanding	<u>39,869,591</u>
Net 20% Debt Limitation	<u>50,297,988</u>
Total Bonding Capacity	\$ <u><u>77,348,262</u></u>

- (1) The Arizona Constitution states that for general municipal purposes a municipality cannot incur a debt exceeding 6% of the assessed valuation of taxable property.
- (2) Additional bonds amounting to 20% of the assessed valuation of taxable property can be issued for supplying such services as water, artificial light, sewers and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2005

Jurisdiction	Outstanding Debt	Percentage Applicable to Lake Havasu City	Lake Havasu City
Lake Havasu Unified School District No. 1	\$ 38,585,000	95.1 %	\$ 36,694,335
(1) Lake Havasu Irrigation and Drainage District	195,000	100.0	195,000
(2) Lake Havasu City Excise Tax Revenue Refunding Obligations	10,190,000	100.0	10,190,000
(3) Lake Havasu City McCulloch Boulevard Streetscape Improvement District No. 7 Improvement Bonds	695,000	100.0	695,000
(4) Lake Havasu City Water Infrastructure Financing Authority 2002 Design Loan	-	-	-
(5) Lake Havasu City Water Infrastructure Financing Authority 2004 Design Loan	3,560,000	100.0	3,560,000
(5) Lake Havasu City Water Infrastructure Financing Authority 2004 Construction Loan	5,940,000	100.0	5,940,000
(5) Lake Havasu City Water Infrastructure Financing Authority 2002 Junior Lien Revenue/General Obligation Loan	8,149,726	100.0	8,149,726
(5) Lake Havasu City Water Infrastructure Financing Authority 2002 Senior Lien Revenue/General Obligation Loan	8,149,726	100.0	8,149,726
(5) Lake Havasu City Water Infrastructure Financing Authority 2002A Design Loan	3,693,448	100.0	3,693,448
(5) Lake Havasu City Water Infrastructure Financing Authority 2002A Junior Construction Loan	31,362,091	100.0	<u>31,362,091</u>
Total			<u>\$ 108,629,326</u>

- (1) The Irrigation District is quasi-governmental agency of Lake Havasu City, Arizona.
- (2) Lake Havasu City Excise Tax Revenue Refunding Obligations were issued on March 1, 1999 to refund a portion of the City's lease payment obligations relating to Lake Havasu City Municipal Property Corporation, Municipal Facilities Revenue Bonds, Series 1993.
- (3) Lake Havasu City Improvement District No. 7 Improvement Bonds were issued May 31, 2001 to provide funds to make certain streetscape improvements of McCulloch Boulevard Streetscape Improvement Project.
- (4) On December 17, 2004, the loan agreement for \$5,765,000 for Engineering and Design was refunded under a new loan agreement for Construction.
- (5) Election held on November 6, 2003 authorizing the issuance of not to exceed \$463 million in loans from the Water Infrastructure Financing Authority of Arizona to finance the acquisition and construction of a wastewater collection and treatment system. A loan agreement was entered into on October 7, 2002 as follows: \$8,507,500 for Junior Lien Revenue/General Obligation loan, and \$8,507,500 for Senior Lien Revenue/General Obligation Loan. On April 9, 2004, additional loan agreements were entered into as follows: \$3,560,000 for Engineering and Design and \$5,940,000 for Construction. On December 17, 2004, additional loan agreements were entered into as follows: \$3,693,448 for Engineering and Design and \$31,362,091 for Construction.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Fiscal Year	(1) Population	(2) Per Capita Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate (%)
1996	\$ 36,285	\$ 15,618	44.9	5,389	3.6 %
1997	37,580	16,336	44.9	5,292	2.6
1998	38,635	16,068	46.9	5,332	2.4
1999	39,655	18,225	47.0	5,646	2.5
2000	41,045	18,280	47.1	5,615	3.3
2001	41,938	20,199	47.5	5,841	3.2
2002	44,200	21,164	47.5	5,889	4.3
2003	46,400	20,953	48.0	6,345	3.7
2004	48,730	21,239	48.5	6,545	3.2
2005	53,204	21,316	48.3	6,549	2.8

- (1) Fiscal year 2001 from the 2000 U.S. Census.
All other years from the Arizona Economic Estimates Commission.
- (2) Fiscal year 1996 University of Arizona.
Fiscal year 1997 Arizona Department of Economic Security.
Fiscal year 1998 through 2005 Lake Havasu City Partnership for Economic Development.
- (3) Fiscal year 1996 from University of Arizona.
Fiscal year 1997 Lake Havasu City's estimates.
Fiscal year 1998 through 2005 Lake Havasu City Partnership for Economic Development.
- (4) Lake Havasu City School District.
- (5) Arizona Workforce Informer unemployment rate for Lake Havasu City, Arizona.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		(2) Bank Deposits (in thousands)
	Number of Permits	Value	Number of Permits	Value	
1996	131	\$ 13,059,111	1,102	\$ 50,569,554	\$ 369,920
1997	142	18,942,683	1,028	49,037,057	364,962
1998	137	14,805,739	1,340	65,578,523	350,000
1999	115	19,777,198	1,637	81,676,523	350,000
2000	107	18,587,018	1,955	94,756,893	404,275
2001	159	37,322,986	2,097	118,282,031	442,739
2002	131	28,151,712	2,580	145,340,542	518,695
2003	112	25,234,303	3,049	174,205,309	630,788
2004	136	35,235,521	3,148	167,100,489	695,844
2005	172	31,239,803	3,061	152,893,587	811,054

Sources:

- (1) The City's Community Development Department.
- (2) Excludes public funds.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
PROPERTY VALUES
LAST TEN FISCAL YEARS

Property Values (1)					
<u>Fiscal Year</u>	<u>Utilities</u>	<u>Commercial</u>	<u>Vacant Land</u>	<u>Not-for-profit Residential</u>	<u>Rental Residential</u>
1996	\$ 39,382,006	\$ 249,988,759	\$ 258,956,531	\$ 1,346,986,661	\$ 170,428,668
1997	39,382,006	288,440,563	437,710,252	1,360,330,658	185,679,610
1998	39,122,896	308,631,520	447,465,947	1,337,620,916	203,591,121
1999	36,215,772	317,346,534	468,399,974	1,526,367,418	180,389,714
2000	32,623,768	328,002,163	451,682,833	1,581,873,402	218,974,820
2001	54,906,145	327,320,397	452,797,382	1,689,606,942	214,857,562
2002	61,852,133	344,517,697	456,292,058	1,881,673,700	223,285,906
2003	69,996,336	383,145,148	537,099,553	2,122,164,949	256,240,778
2004	54,677,235	430,349,723	594,916,808	2,617,616,373	326,054,281
2005	53,093,068	527,006,808	794,681,573	3,368,641,047	434,741,450

Sources:

(1) Arizona Department of Revenue estimates.

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
SCHEDULE OF INSURANCE
JULY 1, 2004 THROUGH JUNE 30, 2005

July 1, 2004 thru October 31, 2004

Company	Annual Premium	Limit	Coverage
United National Insurance Co.	\$ 241,216	\$ 1,000,000/\$2,000,000	General Liability including Law, EMT, Employee Benefits, E&O & EPLI \$25,000 Deductible
Clarendon National Insurance	165,169	\$2,000,000	Auto Liability & TULIP \$10,000 Deductible
Gulf Insurance Group	199,915	\$10,000,000	Following Forms Excess Liability \$10,000 Deductible
Chubb Group	76,585	\$45,716,176	Property, Inland Marine, EDP, Boiler & Machinery \$10,000 Deductible
Fidelity & Deposit	2,089	\$100,000	Crime \$500 Deductible
XL Specialty Insurance Co.	12,650	\$10,000,000	Airport Liability \$0 Deductible
Zurich American Ins. Co.	1,959	\$1,000,000	Underground Storage Tank \$5,000 Deductible

November 1, 2004 thru June 30, 2005

Company	Annual Premium	Limit	Coverage
St. Paul Travelers Insurance Group	\$ 565,288	\$ 1,000,000/\$2,000,000 \$2,000,000 Auto	General Liability including Law, EMT, Employee Benefits, E&O, \$ EPLI Property, Inland Marine, EDP, Broiler & Machinery, Data & Media Auto & Crime \$25,000 Deductible
Admiral Insurance Company	144,550	\$10,000,000	Following Forms Excess Liability \$0 Deductible
XL Specialty Insurance Company	10,516	\$10,000,000	Airport Liability \$0 Deductible
Zurich American Insurance Company	1,887	\$1,000,000	Underground Storage Tank \$5,000 Deductible

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
SCHEDULE OF PROPERTY INSURANCE
JULY 1, 2004 THROUGH JUNE 30, 2005

Property	Limit
Building and Personal Property (\$10,000 Deductible)	\$68,536,473
Computer/Electronic Data Processing (\$1,000 Deductible). Functional Replacement Cost, Including Mechanical Breakdown	\$1,486,000
Crime/Faithful performance (\$50,000 Deductible) Includes Blanket Employee Dishonesty, Forgery or Alteration (Separate \$20,000 Limit with \$1,000 Deductible)	\$100,000

Source - Risk Management Records

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2005

Date of Incorporation	October 2, 1978
Form of government	Council-Manager
Area	42 square miles
Miles of streets	425.0 miles

Building Permits	Number	Valuation
2004-2005	3,233	\$ 184,133,390

Water

Miles of line	569
Installed meters	26,417
Available acre foot	25,180

Sewer

Miles of line	150
Accounts	7,550
Average daily wastewater flowage, (mg)	1.99

City Employees

Full time	447
Part time	241

Fire Protection

Number of stations	5
Number of certified firefighters	90
Number of structural fires	62
Number of emergency responses	5,719

Police Protection

Number of sworn officers	83
Number of police communications incidents handled	58,216
Number of police report numbers issued	9,893

(Continued)

Not covered by Auditor's report.

LAKE HAVASU CITY, ARIZONA
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2005

(Concluded)

Municipal Parks

Acres

Rotary Community Park	44.0
Jack Hardie Park	2.8
Wheeler Park	1.8
Aquatic Center - Water Theme Park	8.3
Island Ballfields	4.0
London Bridge Beach	12.0
Avalon Park	2.0
Daytona Park	2.4
Sara Park (State Park - leased to City)	1,082.0

Watercraft Launching Facilities

Number of
Ramps

Havasu Marina	1
Site Six	1
Windsor State Park	3

Golf Courses

Number of
Holes

London Bridge	36
Havasu Island	18
Queens Bay	9

Education

Number of
Schools

Elementary	6
Junior High	2
High School	1
Community College	1

Elections

Number of registered voters at time of incorporation	6,053
Number of registered voters at 2000 City primary election	23,172
Number of registered voters at 2004 City primary election	29,112

Population

1979 special census	13,524
1980 United States census	15,926
1985 Arizona Economic Estimates Commission	17,880
1990 United States census	24,363
2000 United States census	41,938
2004 United States census (estimate)	53,204

Not covered by Auditor's report.

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